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IN THE

Supreme Court of the United States

October Term, 1977

No. 77-737

THE GOODYEAR TIRE & RUBBER COMPANY,

Petitioner,

v.

OHIO TIRE DEALERS, INC.,

Respondent.

PETITION FOR A WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE TENTH CIRCUIT

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PETITION FOR A WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE TENTH CIRCUIT

Preliminary Statement

This petition seeks review of a decision of the Court of Appeals which modified a jury verdict of $19.6 million by reducing the judgment to $4,748,114 (of which $4,069,812 constitutes punitive damages and $678,302 constitutes compensatory damages). Petitioner, The Goodyear Tire & Rubber Company ("Goodyear"), was the defendant-appellant in the Court of Appeals. The respondent is Big O Tire Dealers, Inc. ("Big O"), the plaintiff-appellee below.

The opinion of the Court of Appeals (App. A, *infra*, pp. 1a to 22a) is reported at 561 F.2d 1365. It was rendered on September 2, 1977, and a timely petition for rehearing was denied on October 11, 1977 (App. B, *infra*, p. 23a). The Findings of Fact, Conclusions of Law, Memo-

randum Opinion and Orders of the district court (App. C, *infra,* pp. 25a to 82a) are reported at 408 F. Supp. 1219.

The jurisdiction of this Court is invoked under 28 U.S.C. § 1254(1).

Questions Presented

1. Must a controversy concerning the legal rights of the parties have "crystalized to the point of threatened litigation" before settlement efforts are protected by Evidence Rule 408's exclusion of "statements made in compromise negotiations"?

2. Where a jury's verdict of liability was based on one of two alternative theories, and the appellate court has found error in the charge on the burden of proof on the first theory, and has held that the other should not have gone to the jury, may the verdict be upheld under the "harmless error" doctrine?

3. Is the owner of a federal trademark registration required to prove the validity and use of his mark, or may he rely on the federal statutory presumption of validity, ownership and continuous use? Is the doctrine of trademark extension limited to the owner of a "well established and distinctive" trademark who has shown a "purpose or propensity" to expand it to another product?

4. May substantial damages (several times greater than plaintiff's entire net worth) be awarded to one who has not attempted to show lost sales or any pecuniary loss despite a jury verdict that he suffered no "direct economic losses"? May compensatory damages be based on *defendant's* past advertising expenditures rather than on *plaintiff's* past or projected expenses?

5. Should this unprecedented punitive damage award stand when it is based on conduct never previously found to constitute an actionable wrong?

6. Was there a denial of due process here, particularly when Goodyear was required to defend against a novel claim which was not defined until after the trial?

Constitutional and Statutory Provisions Involved

The constitutional and statutory provisions involved are set forth in the Appendix beginning at page 84a. They include the following:

Federal Rules of Evidence, Rule 408,

United States Constitution, Amendment V,

United States Code, Title 15, Sections 1057(b), 1115(a), 1127 (Trademark Act, §§ 7(b), 33(a), 45), and

California Code of Evidence § 1152.

Statement of the Case

This dispute involves the respective rights of Goodyear and Big O to use the term "Bigfoot" or "Big Foot" in connection with tires. Big O originally alleged trademark infringement and false designation of origin in violation of the Trademark Act, but added a claim for "trademark disparagement" after the trial had begun.[1] The complaint

[1] The complaint alleged that jurisdiction exists under 15 U.S.C. § 1121 (Trademark Act) and 28 U.S.C. § 1338 (trademarks and unfair competition). Goodyear's counterclaim was brought under 28 U.S.C. §§ 1331 (federal question) and 1332 (diversity) as well.

was filed in November of 1974, Big O's request for a temporary restraining order was denied the same day, and Big O's request for a preliminary injunction was denied after a full hearing. Goodyear denied liability and asserted a right to use "Bigfoot" in connection with tires either because the name was descriptive of wide track tires (and thus not an enforceable trademark absent proof of secondary meaning) or alternatively by extension of Goodyear's federally registered trademark "Bigfoot" for snowmobile tracks.

Big O is a cooperative buying organization through which almost 200 individual tire stores pool their purchasing power in order to obtain discounts on brand name and "private label" tires. Big O does not make, stock or handle tires, nor does it sell to the public. Prior to the time of trial, Big O's total net worth was approximately $200,000.

Goodyear manufactures and distributes nationally a variety of rubber products, including both automobile tires and snowmobile tracks.

Goodyear's Use of "Bigfoot"

The word "footprint" is commonly used in the tire industry to refer to the imprint which a tire makes on the ground. It has been widely used in that sense by tire manufacturers and distributors in advertisements and other materials addressed to the general public.

In 1972, Goodyear's advertising agency suggested the use of "Bigfoot" as a trademark for snowmobile tracks. Trademark searches showed that the name was available, and Goodyear began to produce and sell "Bigfoot" snowmobile tracks the following year. In December 1973, Goodyear filed an application for a federal registration of "Bigfoot" as a trademark for snowmobile tracks which was granted in October of 1974. While sales were not up

to expectations, some 400 tracks (at a wholesale price in excess of $35,000) were sold by the time of the trial.

In the early summer of 1974, Goodyear decided on an advertising theme which included the word "Bigfoot" for the introduction of its new Custom Polysteel radial tire. Exhaustive trademark searches disclosed that the only reference to "Bigfoot" or "Big Foot" in connection with tires or any related product was in Goodyear's own application for snowmobile tracks. Goodyear thereafter filed an application to register "Bigfoot" as a trademark for tires, which it withdrew in December of 1974 on the advice of counsel that the term was descriptive of the larger than usual footprint and good traction characteristics of its Custom Polysteel tire.

Goodyear's management decided that the Custom Polysteel tire should be introduced to the public the following September, with September 1, 1974 set as the date for the first public announcement of this program, September 16 for the first television commercial and September 28 for the appearance of advertisements in national magazines. To accomplish this, preparations for the campaign proceeded in July and August.[2] By August 21, 1974, before it had any knowledge of Big O's use of "Big Foot", Goodyear had invested almost $500,000 in an advertising campaign of which "Bigfoot" was an integral part, and had committed more than $5,000,000 for television time in 1974.

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[2] This effort included a series of meetings with Goodyear regional managers and dealers, the preparation of television commercials and magazine and point of sale advertisements, and commitments for television time and advertising space.

Big O's Use of "Big Foot"

Unknown to Goodyear, in March of 1974 Big O had informed its dealers of a new line of private brand tires being manufactured by Uniroyal—"Big Steel", "Big Ride", "Big Haul", "Big Foot 60" and "Big Foot 70". Each of these names was accompanied by the name "Big O" on the tires, which were not radials and which did not have the same quality or appearance as Goodyear's tires. These new names were not reported in any trade publication, nor had there been any advertising of "Big Foot" by Big O prior to the announcement and implementation of Goodyear's "Bigfoot" campaign. Big O's application to register "Big Foot" as a trademark for tires was rejected by the Trademark Office because it conflicted with Goodyear's registration of "Bigfoot" for snowmobile tracks. Accordingly, Big O's claims below were necessarily based on the common law.

The first time anyone at Goodyear who knew of Goodyear's "Bigfoot" campaign learned about the "Big O Big Foot" tire was on August 23, 1974, when a Goodyear district manager saw one on a car in Salt Lake City. The next morning he called Goodyear's main office in Akron.

The Compromise Negotiations

Goodyear's management believed that Goodyear had the right to use "Bigfoot" (on the basis of prior use and legal advice) but wished to avoid a controversy. After conferring with trademark counsel, a Goodyear executive called Big O's President, Norman Affleck, informed him of Goodyear's impending campaign and its prior use of "Bigfoot", and asked for a meeting to try to compromise any conflict. In late August, 1974 Goodyear's representative visited Big O's offices and outlined its promotional campaign.[3]

A second meeting took place at a trade conference in New Orleans on September 10. At that time Goodyear's representatives (while asserting that Goodyear had a legal right to use "Bigfoot") suggested an agreement on at least concurrent use of the name by both parties, along with some payment by Goodyear to Big O to offset any inconvenience to it. They agreed to have further discussions.[4]

Goodyear's "Bigfoot" commercials began on September 16, 1974, as scheduled. The following day, Big O's President wrote to Goodyear stating his understanding that Goodyear had agreed to withdraw so much of its advertising as was not already committed. Goodyear denied any such agreement, reiterated its belief that it had "a clear right to the BIGFOOT name in connection with tires", and expressed continued willingness to negotiate a compromise.

On October 10, 1974, Mr. Affleck telephoned Goodyear's Executive Vice President, Charles A. Eaves. This was their only contact with each other, and it is crucial to Big O's case. Mr. Eaves said it seemed to him there were three alternatives. If Big O would agree to discontinue its use of "Big Foot", Goodyear would compensate it by assuming all of Big O's development, advertising, promotional and legal costs and pay it an additional sum of money as an indication of Goodyear's good will. In the alternative, Big O and Goodyear could continue to use "Big Foot" and "Bigfoot", respectively, and Goodyear

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[3] Shortly thereafter, Big O's President wrote to all Big O dealers advising them that the parties and their attorneys were trying to work out a compromise.

[4] There was uncontradicted testimony that before this September 10 meeting, Big O's President had advised Uniroyal that Big O intended to sue Goodyear.

would be willing to consider a smaller payment to Big O. Thirdly, failing agreement on either of these two courses of action, one or the other of the parties could resort to litigation; however, Mr. Eaves said, this was the least desirable choice. On questioning by Big O's own attorney, Mr. Affleck testified that in this conversation:

> "He [Mr. Eaves] offered to make some sort of settlement."

Over Goodyear's repeated and vigorous objections, this evidence of compromise negotiations was admitted into evidence and it was used in summation as an admission of liability and to inflame the jury to award punitive damages.[4]

The Trial

Plaintiff's evidence on liability consisted primarily of the compromise negotiations described above, while the "damage" evidence was to the effect that some customers of Big O dealers (not of Big O itself) thought the "Big

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[4] Plaintiff's counsel repeatedly referred to this incident in terms such as:

> "Mr. Eaves offered . . . 'Well, Norm, concurrent use or take some money.' I submit that it is unacceptable conduct in any community, especially this one. That is for only six of you to decide."
>
> "The series of phone calls, the admitted request for a letter that Big O wouldn't object to Goodyear's use of Bigfoot. What does your common sense tell you about all this high falutin law? What does your basic sense tell you when you ask somebody if you can do something with what they have, [it tells you] that they own it, and that, also, . . . that it is not a word of . . . common usage . . . it is . . . a trademark."
>
> "[T]here is an element of righteous indignation in this case . . . you should evaluate whether members of this community would be outraged at the conduct you had seen Goodyear display, and the lack of concern, the totally non-viable alternatives offered by Mr. Eaves to Mr. Affleck on October the 10th, [when he said] take it or leave it . . . ."

Foot" name belonged to Goodyear. The jury was charged in terms which the trial court described as "quite liberal to the plaintiff from the standpoint of the definition of the law". It found in favor of Big O on its claims of trademark infringement and disparagement, but decided that Goodyear had not been guilty of false designation of origin (App. D, *infra*, p. 83a). Although Big O did not claim to have lost any sales and offered no evidence of the value of the "Big Foot" mark or of any diminution in its value, the jury awarded Big O $2,800,000 in "compensatory" damages and $16,800,000 in punitive damages, for a total of almost 100 times Big O's net worth. The trial court denied Goodyear's motions for judgment notwithstanding the verdict or for a new trial, ruling that the compromise negotiations "were relevant and material to show knowledge, willful infringement, and misconduct by Goodyear" (14a). It permanently enjoined Goodyear from using "Bigfoot" in any kind of advertising for tires, and dismissed Goodyear's counterclaim for an injunction against Big O's alleged infringement of Goodyear's "Bigfoot" trademark (App. C, *infra*).

The Assignments of Error

On appeal, Goodyear made the following assignments of error, in addition to the erroneous admission of the evidence of compromise negotiations.

(a) *Trademark Issues.* Big O failed to meet its burden of showing that its use of "Big Foot" was entitled to protection as a trademark because the term is descriptive of a characteristic of wide track tires and there was no evidence that it had acquired a secondary meaning indicating origin in Big O. The court's instructions erroneously shifted to Goodyear the burden of proving descriptiveness, and the secondary meaning issue should not have been

submitted to the jury. Moreover, there was no actionable infringement because there was no showing of customer confusion as to origin—*i.e.*, that anyone would buy Goodyear tires believing that they came from Big O—and in fact the jury verdict was to the contrary (83a). In addition, the trial court's instructions virtually deprived Goodyear of its trademark extension defense (predicated on its prior use of "Bigfoot" on snowmobile tracks).

(b) *Disparagement.* Goodyear had insufficient notice of the trademark disparagement claim, and Big O failed to prove a false statement disparaging its trademark or malice or special damages, all of which are necessary elements of a claim for "slander of title", upon which the disparagement theory (as it emerged after trial) was apparently based.

(c) *Compensatory Damages.* Big O failed to prove the fact or the amount of damages. Moreover, since the trial court refused to require (and Big O failed to offer) proof of any trading by Goodyear on Big O's goodwill, it was wrong to award damages (as opposed to an injunction). This error was aggravated by the trial court's failure to instruct the jury that damages were to compensate for Goodyear's past acts and that any future misconduct could be enjoined by the court. In addition, the trial court erred in ruling that the jury verdict could be justified on the basis that since Goodyear's advertising expenses approximated $10,000,000 and there were Big O dealers in 14 states (or 28% of the 50), the jury could have applied 28% to $10,000,000 to reach $2.8 million—an exercise never suggested to the jury and logically defective in any event.

(d) *Punitive Damages.* Goodyear's good faith reliance on a claim of right precluded any punitive damage award, as did the absence of any proof of actual damages. The

court refused to so charge, and instead charged that punitive damages might be awarded for Goodyear's disregard of Big O's "feelings". It also refused to require proof of liability beyond a reasonable doubt as required by Colorado law as a basis for punitive damages.

The Court of Appeals Opinion

The Court of Appeals actually agreed with many of the assignments of error on the trademark issues, but affirmed the judgment with a modification of the damage award. It agreed with Goodyear's contentions that Big O had the burden of proving a valid trademark and that "the District Court should not have labeled descriptiveness as an affirmative defense" (10a). Moreover, in light of Big O's concession that it presented no evidence that "Big Foot" had acquired a secondary meaning indicating origin in Big O, the court concluded that "secondary meaning was not a viable issue in the case and should not have been submitted to the jury" (7a). Thus, the Court of Appeals found fundamental error in each branch of the alternative charges (*i.e.*, on descriptiveness and secondary meaning), one of which resulted in the verdict of liability for trademark infringement and disparagement. Nevertheless, the court concluded that these and other basic errors were "harmless" in view of the "length and complexity of the case" (8a), the trial of which had lasted 10 days. It indicated that in "complex cases" some error is routine (10a).

Regarding Goodyear's claim that the instructions on trademark extension erroneously deprived it of this defense, the court simply stated that "Goodyear's allegations of error . . . are picayunish at best", and disposed of them without further discussion (11a). In similar cavalier fashion, the court rejected the only reported decision on "reverse confusion", *Westward Coach Mfg. Co.* v. *Ford Motor*

Co., 388 F.2d 627 (7th Cir.), *cert. denied*, 392 U.S. 927 (1968). There, the Seventh Circuit held that "reverse confusion" as to the origin of the trademark owner's goods (as distinguished from confusion as to the origin of the infringer's goods) is not actionable. The court below held: "the Colorado courts, *if given the opportunity*, would extend its common law trademark infringement actions to include reverse confusion situations" (13a, emphasis added). The court refused to give that opportunity to the Colorado Supreme Court by certifying the question to it as requested by Goodyear in reliance on this Court's approval of that practice in *Lehman Bros.* v. *Schein*, 416 U.S. 386 (1974), and *Bellotti* v. *Baird*, 428 U.S. 132 (1976).

The court disposed of the key argument that the trial court had violated Rule 408 of the Federal Rules of Evidence by observing that "since Rule 408 applies only to compromise negotiations, the District Court's ruling that the communications were 'simply business communications' is sustainable" because the "discussions had not crystalized to the point of threatened litigation" (15a).

With respect to the unpleaded claim of trademark disparagement, the court stated that during the trial Goodyear's counsel was aware of a claim labeled "disbarment [sic] of title"; at the same time, the court found that trademark disparagement was both novel and different from disparagement of title (17-18a).

Finding that "Big O's total net worth was approximately $200,000", the court nonetheless attempted to rationalize damages of many times that amount on the basis of Big O's assumed need (not supported by the record) to conduct a "corrective advertising campaign" to dispel any public confusion caused by Goodyear's use of the word "Bigfoot". Unable to justify the jury's damage awards, the court took a new tack. It asserted that "the maximum amount which

a jury could reasonably find necessary to place Big O in the position it was in before [Goodyear's advertising] is $678,302" (22a). This sum was arrived at by taking 28% (representing the 14 out of 50 states in which there were one or more Big O tire dealers) of *Goodyear's* advertising expenditures of $9,690,029, and then reducing the resulting figure by 75% on the basis of "the FTC's 25% rule in corrective advertising cases" (21a) which requires businesses which engage in misleading advertising to include corrective advertising in a percentage of *their* future advertising.

Turning to punitive damages, the appellate court simply deferred to the trial court's approval of a six-to-one ratio between punitive and compensatory damages and concluded that $4,069,812 was appropriate. It ignored Big O's failure to prove any economic injury to it and the undisputed rule of law that no punitive damages can be awarded in the absence of actual damages.

Reasons for Granting the Writ

This decision does violence to elementary principles of fairness, subjecting Goodyear to an enormous judgment comprised largely of punitive damages for conduct never previously held to be actionable. It does so on the basis of instructions the Court of Appeals itself held erroneous, and by distorting Rule 408 of the Federal Rules of Evidence from the protective rule envisaged by this Court's draftsmen into a trap which results in liability being based entirely on a willingness to compromise. If this decision (which we believe to be the first to bring Rule 408 to the attention of this Court) is allowed to stand, the result will be an increase in the number of controversies litigated because any attempt at settlement before litigation is in progress would be perilous.

The decision below also departs from the salutary doctrine that a private plaintiff must show some loss in order to recover damages, and that the damages must be measured by the plaintiff's loss. Instead, it enshrines as federal law a "rule of damages" misappropriated from a few Federal Trade Commission consent decrees. Finally, it places the Tenth Circuit squarely in conflict with other circuits on interpretations of the Trademark Act not previously determined by this Court.

In sum, the decision below constitutes such a grave departure from the accepted and usual course of judicial proceedings as to call for the exercise of this Court's general power of supervision over lower federal courts in order to prevent a deprivation of property without due process of law.

I.

The proper scope of Rule 408 of the Federal Rules of Evidence is an important question not previously determined by this Court.

Throughout the trial, and in the district court's opinion, Goodyear's willingness to discuss settlement as well as statements allegedly made during the course of compromise negotiations were used as "evidence". The jury was told that Goodyear had acknowledged that "Big Foot" is a valid trademark owned by Big O by asking Big O's "permission" to use it and offering to pay for such "permission", and that punitive damages were proper because Goodyear had acted in "wanton and reckless disregard" of the rights for which Goodyear had been willing to pay.

Rule 408 of the Federal Rules of Evidence provides that "Evidence of conduct or statements made in compromise negotiations is . . . not admissible." This Rule was clearly

intended to substantially expand the common law, which only excluded offers of compromise.[6]

> "[T]he common law rule did not exclude evidence of admissions of fact made in the course of compromise negotiations, unless hypothetical in form or stated to be without prejudice. . . . The exception for factual admissions was believed by the Advisory Committee to hamper free communication between the parties and thus to constitute an unjustifiable restraint upon truly effectuating the purpose of the rule. . . . The Rule therefore was drafted with sufficient breadth to include statements made in compromise negotiations, in addition to the offer itself." (Joint Rep. of the Standing Comm. on Rules of Prac. and Proc. and the Advisory Comm. on Rules of Evid. of the U.S. Jud. Conf. to the Senate Comm. on the Jud., at 15-21 (May 22, 1974), *cited in* 2 Weinstein & Berger, *Weinstein's Evidence* 408-3 (1976)).[7]

Contrary to the clear intent of the draftsmen, this Court and Congress that Rule 408 is to be applied liberally and flexibly, the Court of Appeals adopted a rigid, bright-line test for its invocation: "The discussions [must have] crystallized to the point of threatened litigation [in order

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[6] Although the House amended the second sentence of Rule 408 as promulgated by the Supreme Court to continue the traditional rule and make evidence of facts disclosed during compromise negotiations admissible (H.R. 5463, 93d Cong., 2d Sess. (1974)), the Senate (noting that the House amendment would deprive Rule 408 of much of its salutary effect) deleted that amendment. The Senate-House Conference in turn adopted the Senate version, implementing this Court's intention to broaden the common law rule. *See 2 Moore's Federal Practice Rules Pamphlet* 424-25 (1975).

[7] Before the trial, the district court announced that it would give no weight to evidence of the draftsmen's intent and did not want to hear anything about it.

to be protected]" (15a). It thus adopted the trial court's view:

> "The controversy . . . doesn't start until we have a lawsuit filed."
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> "I don't think the law is that there has to be a lawsuit filed, but I think the positions have to be crystallized at the point where there's going to be a lawsuit filed and the other side knows about it, and it's to head off a lawsuit rather than make a business adjustment.
>
> • • •
>
> "I don't think this amounts to an offer of settlement. The conversation that has been reviewed does not amount to an offer of settlement.
> [Counsel for Goodyear]: "Not an offer, but a discussion of settlement."
> "The Court: It will be received."[8]

This misapplication of Rule 408 is an even more dangerous precedent because of the court's myopic view of what is meant by a controversy having "crystallized to the point of threatened litigation". The uncontradicted testimony of Big O's President, Mr. Affleck, demonstrates that avoiding litigation was exactly what the parties were talking about. On direct examination by Big O's attorney, Mr. Affleck summarized the crucial (and only) conversation he had with Charles Eaves, Goodyear's Executive Vice

[8] In *Burns* v. *City of Des Peres*, 534 F.2d 103, 112 (8th Cir.), *cert. denied*, 492 U.S. 861 (1976), the Eighth Circuit upheld a ruling which excluded all evidence of negotiations between the parties between January and May, although the action was not instituted until October, observing that Rule 408 (not in effect at the time of trial) "would not mandate a different result." *Id.* at 112 n.9. Thus, this decision conflicts in principle with the view of the Eighth Circuit.

President, as one in which Mr. Eaves adverted to the possibility of litigation and in which "He offered to make some sort of settlement." Previously, Mr. Affleck had written to the Big O dealers that the parties and their attorneys were trying to work out a compromise. Thus, neither party regarded these negotiations the month before Big O commenced this action as "simply business communications" (15a) and we submit that it was manifest error for the court below to do so.[9]

This pruning of Rule 408 is of great significance to the orderly functioning of the federal courts. The "public policy favoring the compromise and settlement of disputes" which the Advisory Committee wished to foster (Advisory

[9] *See Moving Picture Machine Operators Local 162* v. *Glasgow Theaters, Inc.*, 6 Cal.App.3d 395, 402, 86 Cal.Rptr. 33, 37 (1970), construing Cal.Evid. Code § 1152 on which Rule 408 was patterned:

> "In considering whether a person's statement amounts to an ordinary admission or constitutes an offer of compromise, the intention of the party is dispositive."

In *Warner Constr. Corp.* v. *City of Los Angeles*, 2 Cal.3d 285, 297, 466 P.2d 996, 1003, 85 Cal.Rptr. 444, 451 (1970), the court held that letters sent after the parties had reached an apparent difference of opinion were not admissible under section 1152. It described the test for exclusion as whether:

> *"the parties had reached a stage of clear disagreement on the crucial question* [in dispute]. Anything said in negotiations after that date could not be admitted under the rule of practical construction; it remained subject to exclusion under Evidence Code section 1152" (emphasis added; footnote omitted).

Accord, San Joaquin County v. *Galletti*, 252 Cal.App.2d 840, 61 Cal.Rptr. 62 (1967). The commentators also favor the "apparent difference of opinion" test. *E.g.*, McCormick, *Evidence*, § 274, at 663 (1972 2d ed.); *Symposium on the Federal Rules of Evidence*, 36 Louisiana L.Rev. 1, 90 (1975). Since both Big O and Goodyear were unwilling to abandon use of "Big Foot", and each claimed a legal right to use it, it is difficult to see how any of the discussions between the parties can be characterized as anything other than compromise negotiations. *See Armstrong* v. *Kline*, 64 Cal. App.2d 704, 714-15, 149 P.2d 445, 451 (1944); *Boyes* v. *Evans*, 14 Cal.App.2d 472, 479-80, 58 P.2d 922, 926 (1936) ("The rule [the predecessor of § 1152] not only excludes the offer to compromise, but also all negotiations with relation thereto").

Committee's Note, 46 F.R.D. 161, 238 (1969)) is thwarted if disputants act at their peril when they try to resolve their differences before hardening their positions in pleadings or formal threats of litigation. The foreseeable, indeed inevitable, result would be that persons engaged in controversies would feel constrained to threaten or even resort to litigation before they could safely discuss compromise. Every practicing lawyer knows that threats of litigation are at best irritants which make compromise more difficult and often lead to actual litigation which otherwise might never have occurred. This result is diametrically opposed to the goals of Rule 408.

Unless this Court grants certiorari and sets aside the decision below, Rule 408 will itself impose a new "unjustifiable restraint" upon "free communication between the parties" (Joint Rep., *op.cit., supra*), since under it even offers of settlement made before the litigation stage will be admissible to prove liability.

II.

The jury's general verdict of liability was predicated on one of two alternative theories of liability each of which the Court of Appeals found to have been erroneously charged.

Although the Court of Appeals found that the instructions erroneously assigned to Goodyear the burden of proof on descriptiveness (10a) and erroneously submitted the issue of secondary meaning to the jury (7a), it upheld the jury's general verdict of liability for trademark infringement and trademark disparagement based on those instructions. This is clearly prohibited by *Sunkist Growers, Inc.* v. *Winckler & Smith Citrus Products Co.*, 370 U.S. 19, 29-30 (1962). There, this Court reversed a general verdict

where one of two alternative theories of liability was erroneously submitted to the jury, stating:

> "Since we hold erroneous one theory of liability upon which the general verdict may have rested . . . it is unnecessary for us to explore the legality of the other theories. As was stated of a general verdict in *Maryland* v. *Baldwin* . . . '[I]ts generality prevents us from perceiving upon which plea they found. If, therefore, upon any one issue error was committed, either in the admission of evidence, or in the charge of the court, the verdict cannot be upheld. . . .'" [10]

The court below found that "Big O had the burden of proving it had a valid common law trademark" (9a) which, in turn, required Big O to prove *either* "a distinctive mark entitled to common law trademark protection" (*id.*), *or* a descriptive mark which had acquired secondary meaning (6a). Unless Big O satisfied this burden, there is no trademark to infringe or disparage and accordingly no basis for liability. The trial court noted that "it is impossible to determine" on which of these two theories the jury found for Big O (30a). The Court of Appeals found fundamental error in *both* charges, stating:

> "We thus agree with Goodyear's contention that secondary meaning was not a viable issue in the case and should not have been submitted to the jury." (7a)

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[10] Similarly, the Third Circuit, noting that "[w]hat the jury ultimately found, of course, is beyond our knowledge", recently stated:

> "In determining whether erroneous instructions require the grant of a new trial, whether such instructions did or did not bring about the verdict is not crucial. . . . If it appears that such instructions might have been responsible for the verdict, a new trial is mandatory." *Ayoub* v. *Spencer*, 550 F.2d 164, 168 n.7 (3d Cir.), *cert. denied*, 97 S.Ct. 2952 (1977).

". . . we believe the district court should not have labeled descriptiveness as an affirmative defense." (10a)

The two alternative theories of liability may be expressed as follows: a valid trademark may result from (a) a distinctive name, or (b) descriptiveness overcome by secondary meaning. The Court of Appeals found that (a) was improperly charged on the basic issue of the burden of proof and (b) should not have been charged at all. Thus there is no way in which the jury could have properly reached its general verdict. Yet the court passed over these errors as harmless—the descriptiveness charge because the trial court gave a contradictory instruction that distinctiveness had to be shown by Big O (10a), and the secondary meaning instruction apparently on the assumption that the jury did not reach that issue at all (8a).

Far from being harmless, these errors could hardly have been more fundamental or prejudicial. The appellate court's attempt to minimize the prejudicial effect of the erroneous descriptiveness charge on the ground that "implicit in the jury's finding of trademark infringement is a finding of non-descriptiveness" (10a) is perplexing to say the least. Equally "implicit" in the jury verdict is a finding of descriptiveness coupled with a (baseless) finding of secondary meaning, or a finding of distinctiveness erroneously based on Goodyear's failure to prove descriptiveness. The court's conclusion that the erroneous secondary meaning instruction did not significantly affect the verdict (8a) is even less defensible. Under *Sunkist*, it was simply not entitled to make its own determination as to which theory the jury relied on to reach its verdict, particularly since the trial court had found it "impossible" to make that determination (30a). Both *Sunkist*, and the fact that *both* theories of liability were admittedly improperly charged, require a new trial.

The Tenth Circuit chose to depart from *Sunkist* (and other appellate decisions following its teachings[11]) and endorse a verdict despite error in the charge on *each* possible theory of liability. It suggested that the errors were harmless because this case was of sufficient "length and complexity" (8a) that error is to be expected. If this case was long and complex, that fact aggravates the trial court's errors rather than excusing them; erroneous instructions on such fundamental matters as the burden of proof or an alternative theory of liability are even more likely to confuse the jury in a complex case than in a simple one. This result here is, we submit, a disturbing departure from procedural due process as defined by this Court and followed by other circuit courts of appeals.

III.

The decision below deprived Goodyear of its statutory presumptions under the Trademark Act and is in conflict with other circuits.

The decision below deprived Goodyear of the benefit of federally-created statutory presumptions to which it was entitled under the Trademark Act to establish its "extension" defense,[12] misinterpreted trademark law, and put

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[11] *E.g.*, *Smith* v. *Southern Airways, Inc.*, 556 F.2d 1347 (5th Cir. 1977); *Ayoub* v. *Spencer*, *supra*, at 168 n.7; *Yoder Bros., Inc.* v. *California-Florida Plant Corp.*, 537 F.2d 1347, 1374 (5th Cir. 1976), *cert. denied*, 429 U.S. 1094 (1977); *Russell* v. *City Ice & Fuel Co.*, 539 F.2d 1318, 1321 (4th Cir. 1976); *Kestenbaum* v. *Falstaff Brewing Corp.*, 514 F.2d 690, 695 (5th Cir. 1975), *cert. denied*, 424 U.S. 943 (1976); *Lawndale National Bank* v. *American Cas. Co.*, 489 F.2d 1384, 1388-89 (7th Cir. 1973); *Vandercook & Son, Inc.* v. *Thorpe*, 344 F.2d 930 (5th Cir. 1965).

[12] The owner of a federally registered trademark for one product (like snowmobile tracks) is entitled to extend it to a similar product (like tires) which the purchasing public would be likely to assume came from the same source if they had the same name.

the Tenth Circuit in conflict with several other circuits in an area of law not previously settled by this Court.

The trial court's instructions effectively deprived Goodyear of the extension defense by limiting it to "the owner of a well established and distinctive trademark . . . who . . . must also show a purpose [or] propensity to extend its use of the mark to the related product before its use by others on such products" (73a), factors which are not considered conditions precedent to the extension doctrine.[13]

Even more significantly, the trial court effectively shifted to Goodyear the burden of proving that its registered trademark "Bigfoot" for snowmobile tracks was valid and had not been abandoned by labelling extension an "affirmative defense" (73a) and charging that Goodyear had the burden of proof on all affirmative defenses.[14] This charge also deprived Goodyear of the presumptions of validity and con-

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While this rule has been recognized in several circuits, this Court has not reviewed it. *See, e.g., Scarves by Vera, Inc.* v. *Todo Imports Ltd.*, 544 F.2d 1167 (2d Cir. 1976); *Continental Motors Corp.* v. *Continental Aviation Corp.*, 375 F.2d 857 (5th Cir. 1967); *Fleischmann Distilling Corp.* v. *Maier Brewing Co.*, 314 F.2d 149 (9th Cir.), *cert. denied*, 374 U.S. 830 (1963); *Baker* v. *Simmons Co.*, 307 F.2d 458 (1st Cir. 1962).

[13] These instructions are in conflict with the Second Circuit. *Scarves by Vera, Inc.* v. *Todo Imports Ltd., supra; Kiki Undies Corp.* v. *Promenade Hosiery Mills, Inc.*, 411 F.2d 1097, 1099 (2d Cir. 1969); *Triumph Hosiery Mills, Inc.* v. *Triumph Int'l Corp.*, 308 F.2d 196 (2d Cir. 1962).

[14] By approving the trial court's shifting of the burden of proof on the issue of validity of a registered trademark, the Tenth Circuit not only countenanced an improper and unwarranted deprivation of Goodyear's statutory presumption, but it also placed itself in conflict with the Ninth, Second and Fifth Circuits. *Dymo Industries, Inc.* v. *Tapeprinter, Inc.*, 326 F.2d 141, 143 (9th Cir. 1964); *Aluminum Fabricating Co.* v. *Season-All Window Corp.*, 259 F.2d 314, 316 (2d Cir. 1958); *Travelodge Corp.* v. *Siragusa*, 228 F.Supp. 238, 243 (N.D.Ala. 1964), *aff'd*, 352 F.2d 516 (5th Cir. 1965) ("under the [Trademark] Act, [a] registration . . . is conclusive evidence of [the registrant's] right to use such mark to the exclusion of [others]").

tinuous use to which it was entitled under the Trademark Act (*see* 15 U.S.C. §§ 1057(b), 1115(a); *American Heritage Life Ins. Co.* v. *Heritage Life Ins. Co.*, 494 F.2d 3 (5th Cir. 1974); *CTS Corp.* v. *Cronstoms Mfg., Inc.*, 515 F.2d 780 (C.C.P.A. 1975)).[15]

Recognizing that at best "there is no way to determine the jurors' view of [Goodyear's] affirmative defense based upon its prior use of BIGFOOT as a trademark for snowmobile track", the trial court undertook to "make a definitive ruling" on this and concluded that Goodyear's use was merely token and had in fact been abandoned (44a, 45a):

> "[T]he lack of sales, the failure to advertise or promote the BIGFOOT snowmobile track belts and the failure to resume manufacture of it must be considered to constitute an abandonment of the name BIGFOOT for snowmobile track before Big O's use of BIG FOOT for automobile tires." (45a)

Since abandonment requires both discontinuation of use for a substantial time and an intent not to resume use, the court's affirmance of this ruling is not only contrary to the uncontradicted evidence but is in clear conflict with the Trademark Act and the Ninth Circuit.[16]

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[15] The instructions relieving the party challenging the validity of a federally registered trademark of the burden of proof on that issue are in conflict with the Second, Third, Fifth and Ninth Circuits. *Dymo Industries, Inc., supra; Aluminum Fabricating Co., supra; see Scientific Applications, Inc.* v. *Energy Conservation Corp.*, 436 F. Supp. 354, 360 (N.D.Ga. 1977); *Louis Rich, Inc.* v. *Horace W. Longacre, Inc.*, 423 F. Supp. 1327, 1336 (E.D.Pa. 1976). The instructions on abandonment are in conflict with the Second Circuit and the Court of Customs and Patent Appeals. *Dawn Donut Co.* v. *Hart's Food Stores, Inc.*, 267 F.2d 358 (2d Cir. 1959); *J. C. Hall Co.* v. *Hallmark Cards, Inc.*, 340 F.2d 960 (C.C.P.A. 1965).

[16] The court below emphasized its agreement with the district court's reasoning by noting that "Goodyear manufactured only 671 tracks and not all these were sold or even shipped" (11a).

(footnote continued)

In sum, the Tenth Circuit, in conflict with all other circuits which have considered the matter, has approved instructions which virtually write the doctrine of trademark extension out of federal law. Unless reversed, this decision will cloud the rights not only of trademark owners who, like Goodyear, seek to use extension as a defense to a charge of infringement, but an even larger class of trademark owners who rely on the extension doctrine to protect their trademark rights from infringement by others. Certiorari should issue to clarify and bring uniformity to the interpretation of the Trademark Act by the federal courts which have jurisdiction over such controversies (15 U.S.C. § 1121; 28 U.S.C. § 1338).

IV.

Other rulings below constitute such grave departures from accepted judicial procedures as to call for the exercise of this Court's general power of supervision.

Certain rulings of the court below are so patently unfair that they require review by this Court lest substantial injustice be allowed to stand uncorrected.

1. *The measure of damages used violates established principles of law.*

The most fundamental principle of the law of damages is that compensatory damages are designed to compensate a plaintiff for injury to it and cannot exceed the

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The Court ignored § 45 of the Trademark Act, 15 U.S.C. § 1127, which provides that even *two years* of nonuse only establishes a prima facie case of abandonment. At worst, we have here minimal use for a period of six months, which does not work an abandonment. *See also Carter-Wallace, Inc.* v. *Procter & Gamble Co.*, 434 F.2d 794, 804 (9th Cir. 1970) ("Even a single instance of use is sufficient against a claim of abandonment of a mark if such use is made in good faith").

amount of that injury. Here, the jury was instructed that special compensatory damages would encompass any "direct economic losses and out of pocket expenses" (79a). In finding no special compensatory damages (83a), therefore, the jury found no direct economic loss to Big O. Faced with this, and with Big O's failure to even claim lost sales or other compensable injury to it, the Court of Appeals adopted the novel "corrective advertising" rationale first announced after the trial (19a, 46a).[17] Its stated justification for the award was that it would enable Big O to engage in advertising to "place Big O in the position it was in before" Goodyear's alleged infringement (22a). Yet, in computing the amount of the award, the court gave no consideration to the value of Big O's trademark rights or to what any corrective advertising by Big O might cost. It could not have done so because there is nothing in the record on either of these subjects. Rather, the award was based *solely* on a percentage of Goodyear's advertising expenditures, completely unrelated to any injury to Big O or any projected expenditure by Big O. If Goodyear had spent more, the court's rationale would have produced an even greater award of compensatory damages, although there is no reason to think that the value of Big O's goodwill would have been any greater or would have declined any further.

This unprecedented and absurd approach to damages cannot be justified, as the Court of Appeals suggested, on the ground that it is necessitated by the fact that "Big O concedes it was unable to prove with precision the amount

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[17] As the Court of Appeals recognized (20a), there is no precedent for measuring compensatory damages by corrective advertising costs except where they have actually been incurred to mitigate damages, and then only to the extent reasonably necessary to mitigate a larger amount of damages. Since the compensatory damage award here was several times the total net worth of Big O, the award clearly exceeded the "reasonably necessary to mitigate" test.

necessary to make itself whole" (19a). Big O deliberately chose to offer no proof, however imprecise, either as to the amount of injury to it (such as lost sales or a decrease in the value of goodwill), or the value of its trademark, or even what the cost of corrective advertising might be. The decision of the Court of Appeals eliminates *any* requirement that a plaintiff even *try* to prove pecuniary loss.

Even if Big O had said that it was going to undertake corrective advertising or what the cost might be (and it did neither), there would still be no basis in the law of damages for awarding Big O a percentage of Goodyear's costs. Because of the vast differences between these parties in their areas of operation, their customers and their methods of doing business, Goodyear's advertising costs are meaningless as any measure of Big O's possible costs. Goodyear is a national company and its advertising budget reflects the high cost of national television time. Goodyear was obviously advertising its own name and attempting to persuade customers to buy radial tires, and only a small part of its total advertising budget can be attributed to the use of the name "Bigfoot" in its commercials. (The name "Bigfoot" did not appear on the Goodyear tires, which bore the name "Goodyear Custom Polysteel".) Any counter-advertising campaign by Big O (which does not normally do any media advertising at all, even in its limited area) would obviously not have to duplicate Goodyear's in any respect.[18]

[18] For example, the Court of Appeals concluded (based on the trial court's speculation as to how the jury *might* have arrived at its verdict) that since Goodyear's advertising campaign was nationwide in scope and Big O's dealers were located in 14 (28%) of the 50 states, the first step towards calculating an award should be to take 28% of Goodyear's total advertising expenditures of $9,690,029. Big O made no such argument to the jury, and in fact advertising in these less populous states costs substantially less than

Nor is the court's reliance on any "FTC 25% rule" justified. We have no quarrel with the court's ruling that the trial court's attempted rationalization for the compensatory damage award could not stand because (as the FTC has recognized) "a dollar-for-dollar expenditure for corrective advertising is unnecessary to dispel the effects of confusing and misleading advertising" (22a). The court's conclusion, however, is a dangerous precedent. In the first place, there is no such "25% rule"; *all* of the cases cited by the court (21a, n.2) were FTC consent decrees. Indeed, the FTC has never awarded any damages to an allegedly injured party or any relief remotely comparable to that given to Big O here. While the FTC has sometimes required a respondent to include corrective advertising in its own future voluntary advertising (if any, and typically at no incremental cost), it has never required a respondent to advertise involuntarily or to give money to its competitors. Finally, the remedies available to the FTC as an administrative agency responsible for protecting the public are in any event not limited (as those available to Big O should have been) by the law of damages.

The Court of Appeals has completely ignored the principle that compensatory damages can never exceed the amount of the injury. Since "Big O's total net worth was approximately $200,000" (2a), compensatory damages of $678,302 would be more than three times the maximum injury Goodyear could possibly have inflicted on Big O even on the clearly erroneous assumption that Big O's

28% of a national advertising campaign. In addition, both courts ignored the fact that Big O dealers are located only in a limited number of local markets in their states, and could reach only about 5% of the national population. There is no reason to believe that Big O would conduct a statewide campaign in states such as Montana and South Carolina, which each had only one Big O dealer, or Wyoming, which had only two.

entire net worth had been represented by the "Big Foot" trademark, which had been destroyed. Since the award of punitive damages upheld by the Court of Appeals was a multiple of the compensatory damages, the same defects vitiate that award as well.

2. *The $16,800,000 award of punitive damages (reduced to $4,069,812 on appeal) was based on conduct which no court had previously found to constitute an actionable wrong.*

The Court of Appeals recognized the novelty of both theories of liability (12a, 17a) on which it sustained punitive damages in an unprecedented amount.[19] In such circumstances, it was wholly inappropriate to pile penalty upon extraordinary penalty, and to sanction the trial court's refusal to charge that good faith reliance on a claim of right precludes such punishment. The penalty here was imposed without any proof of actual damages, and principally for Goodyear's failure to accurately predict future judicial rulings in uncharted areas of law. These included the novel rulings of infringement without direct confusion, the creation of a cause of action for "trademark disparagement", and the court's treatment of Goodyear's extension defense. Even more fundamentally, the plaintiff's whole case resulted from a distortion of Goodyear's settlement attempts into admissions of liability and malice—a result no lawyer could predict.

[19] The award here is, we believe, a record punitive damage judgment awarded to a single plaintiff. It is all the more shocking because Big O was awarded compensatory damages out of all proportion to any actual injury and without regard to the permanent injunction which the trial court granted.

3. *The decision below creates a novel cause of action for "trademark disparagement", a claim first asserted during trial.*

The Court of Appeals, unable to find any precedent for a theory of "trademark disparagement" (in Colorado or elsewhere), deferred to the trial court's novel rulings (17-18a). Not only was the tort of "trademark disparagement" unknown prior to the post-trial opinion here, but Goodyear did not even know it would have to defend against such a claim—whatever its elements—at the time it went to trial.[20]

While this added claim for relief was evolving during trial, it was at least recognizable as the traditional tort of disparagement of title to property, applied to the particular kind of property called a trademark, except that the trial court had refused to require proof of special damages (85a).[21] By the time the trial court came to write its opinion, trademark disparagement had been transformed into a species of defamation (51-55a). On appeal, the Tenth Circuit, without discussion, simply deferred to "the resident trial court's determination of local law" (18a).

Since Goodyear had no reason to believe that it would have to defend against this claim, it had no opportunity to conduct discovery with respect to either the traditional disparagement or the defamation theory (*e.g.*, as to the "character" of Big O), to develop contrary testimony of its

[20] The opinion below concludes that "the issue of disparagement was tried by the implied consent of the parties" based on a statement of counsel after the trial had been on for two days (16a). As the court itself pointed out, however, in that statement counsel for Goodyear had cited the case of *Landstrom* v. *Thorpe*, 189 F.2d 46 (8th Cir.), *cert. denied*, 342 U.S. 819 (1951), one of the principal cases upon which Goodyear relied for the proposition that if a cause of action for trademark disparagement exists at all, special damages is an essential element of it.

[21] The jury expressly found that Big O had suffered no special damages (83a).

own or otherwise adequately to prepare a defense to that amorphous claim for relief. In these circumstances, it was a clear violation of basic principles of fairness and due process to submit the disparagement or defamation claim to the jury, as the staggering result indicates.

CONCLUSION

The writ should be granted in order to prevent manifest injustice in this case and the spawning of such errors in other proceedings.

Respectfully submitted,

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APPENDIX

Appendix A

UNITED STATES COURT OF APPEALS

TENTH CIRCUIT

No. 76-1199
(74-M-1106)

BIG O TIRE DEALERS, INC.,

Plaintiff-Appellee,

v.

THE GOODYEAR TIRE & RUBBER COMPANY,
an Ohio corporation,

Defendant-Appellant.

APPEAL FROM THE UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF COLORADO

FILED
SEP 2 1977
HOWARD K. PHILLIPS
CLERK, UNITED STATES COURT OF APPEALS
TENTH CIRCUIT

Before:

LEWIS, *Chief Judge;*
PICKETT and BARRETT, *Circuit Judges.*

LEWIS, *Chief Judge.*

This civil action was brought by Big O Tire Dealers, Inc., ("Big O") asserting claims of unfair competition against The Goodyear Tire & Rubber Co. ("Goodyear") based upon false designation of origin under 15 U.S.C.

§ 1125(a) and common law trademark infringement. After a ten-day trial and three days of deliberation, the jury returned the following verdict:

> We the jury in the above entitled cause, upon our oath do say that we find the following as our verdict herein:
>
> Upon the claim of liability for trademark infringement we find for Big O Inc.
>
> Upon the claim of liability for false designation of origin we find for Goodyear.
>
> Upon the claim for trademark disparagement we find for Big O Inc.
>
> We find that plaintiff has proven special compensatory damages in the amount of $ None.
>
> We find that plaintiff has proven general compensatory damages in the amount of $2,800,000.
>
> We assess punitive or exemplary damages in the amount of $16,800,000.
>
> Date September 4, 1975.

Filing a comprehensive post-trial opinion the United States District Court for the District of Colorado entered judgment on the jury's verdict, permanently enjoined Goodyear from infringing on Big O's trademark, and dismissed Goodyear's counterclaim for equitable relief. 408 F. Supp. 1210. Goodyear appeals that judgment.

Big O is a tire-buying organization which provides merchandising techniques, advertising concepts, operating systems, and other aids to approximately 200 independent retail tire dealers in 14 states who identify themselves to the public as Big O dealers. These dealers sell replacement tires using the Big O label on "private brand" tires. They also sell other companies' brands such as B.F. Goodrich and Michelin Tires. At the time of trial Big O's total net worth was approximately $200,000.

Goodyear is the world's largest tire manufacturer. In 1974 Goodyear's net sales totalled more than $5.25 billion and its net income after taxes surpassed $157 million. In the replacement market Goodyear sells through a nationwide network of company-owned stores, franchise dealers, and independent retailers.

In the fall of 1973 Big O decided to identify two of its lines of private brand tires as "Big O Big Foot 60" and "Big O Big Foot 70." These names were placed on the sidewall of the respective tires in raised white letters. The first interstate shipment of these tires occurred in February 1974. Big O dealers began selling these tires to the public in April 1974. Big O did not succeed in registering "Big Foot" as a trademark with the United States Patent and Trademark Office.

In the last three months of 1973 Goodyear began making snowmobile replacement tracks using the trademark "Bigfoot." From October 1973 to August 1975 Goodyear made only 671 "Bigfoot" snowmobile tracks and sold only 411 tracks. In December 1973 Goodyear filed an application to register "Bigfoot" as a trademark for snowmobile tracks with the United States Patent and Trademark Office; the registration was granted on October 15, 1974.

In July 1974 Goodyear decided to use the term "Bigfoot" in a nationwide advertising campaign to promote the sale of its new "Custom Polysteel Radial" tire. The name "Custom Polysteel Radial" was molded into the tire's sidewall. Goodyear employed a trademark search firm to conduct a search for "Bigfoot" in connection with tires and related products. This search did not uncover any conflicting trademarks. After this suit was filed Goodyear filed an application to register "Bigfoot" as a trademark for

tires but withdrew it in 1975. Goodyear planned to launch its massive, nationwide "Bigfoot" advertising campaign on September 16, 1974.

On August 24, 1974, Goodyear first learned of Big O's "Big Foot" tires. Goodyear informed Big O's president, Norman Affleck, on August 26 of Goodyear's impending "Bigfoot" advertising campaign. Affleck was asked to give Goodyear a letter indicating Big O had no objection to this use of "Bigfoot." When Affleck replied he could not make this decision alone, it was suggested Affleck talk with John Kelley, Goodyear's vice-president for advertising.

Affleck called Kelley and requested more information on Goodyear's impending advertising campaign. A Goodyear employee visited Affleck on August 30 and showed him rough versions of the planned Goodyear "Bigfoot" commercials and other promotional materials. On September 10, Affleck and two Big O directors met in New Orleans, with Kelley and Goodyear's manager of consumer market planning to discuss the problem further. At this time the Big O representatives objected to Goodyear using "Bigfoot" in connection with tires because they believed any such use would severely damage Big O. They made it clear they were not interested in money in exchange for granting Goodyear the right to use the "Bigfoot" trademark, and asked Goodyear to wind down the campaign as soon as possible. Goodyear's response to this request was indefinite and uncertain.

During the trial several Goodyear employees conceded it was technically possible for Goodyear to have deleted the term "Bigfoot" from its television advertising as late as early September. However, on September 16, 1974, Goodyear launched its nationwide "Bigfoot" promotion on ABC's Monday Night Football telecast. By August 31, 1975, Goodyear had spent $9,690,029 on its massive, saturation campaign.

On September 17 Affleck wrote Kelley a letter setting forth his understanding of the New Orleans meeting that Goodyear would wind up its "Bigfoot" campaign as soon as possible. Kelley replied on September 20, denying any commitment to discontinue use of "Bigfoot" and declaring Goodyear intended to use "Bigfoot" as long as it continued to be a helpful advertising device.

On October 9 Kelley told Affleck he did not have the authority to make the final decision for Goodyear and suggested that Affleck call Charles Eaves, Goodyear's executive vice-president. On October 10, Affleck called Eaves and Eaves indicated the possibility of paying Big O for the use of the term "Bigfoot." When Affleck stated no interest in the possibility Eaves told him Goodyear wished to avoid litigation but that if Big O did sue, the case would be in litigation long enough that Goodyear might obtain all the benefits it desired from the term "Bigfoot."

This was the final communication between the parties until Big O filed suit on November 27, 1974. The district court denied Big O's request for a temporary restraining order and a preliminary injunction. After judgment was entered on the jury's verdict for Big O, Goodyear appealed to this court. Goodyear's allegations of error are discussed below.

I.

The district court instructed the jury it must decide whether "the term BIG FOOT [is] merely descriptive of a quality or characteristic of the Big O BIG FOOT 60 and Big O BIG FOOT 70 tires." The court further charged the jury that if it decided "Big Foot is merely descriptive as applied to these Big O tires, then [it must] consider whether the evidence shows that before September 16, 1974, the plaintiff had so used Big Foot as to develop a secondary meaning such as to associate that term with

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Big O Tire Dealers, Inc. in the minds of a significant number of the consuming public."

Goodyear argues that Big Foot is descriptive in nature as a matter of law or fact and that the evidence is not sufficient to support the issue of secondary meaning and therefore Goodyear is entitled to judgment notwithstanding the verdict. Goodyear bases its descriptiveness argument on the premise that "Big Foot" is a combination of two common English words which together are descriptive of the big footprint characteristic of tires. At trial, Goodyear presented evidence showing it had used the term "BIG FOOT TRACTION" in brochures produced in 1964 and 1969. Goodyear also presented evidence of the use of the term "footprint" in connection with tires.

Big O presented evidence that it adopted the mark "Big Foot" after the Abominable Snowman, or the Sasquatch Monster Bigfoot. Thus, Big O asserts the term "Big Foot" is totally arbitrary in relation to automobile tires, having no descriptive significance.

Words which are merely descriptive of the qualities, ingredients, or composition of an article cannot be appropriated as a trademark and are not entitled to protection unless they have acquired a secondary meaning. Armstrong Paint & Varnish Works v. Nu-Enamel Corp., 305 U.S. 315, 335-36. In testing the validity of common law trademarks the critical question is what the designation meant to the purchasing public; not what the designation meant to those in the industry. Blisscraft of Hollywood v. United Plastics Co., 2 Cir., 294 F2 694, 699. Mindful of these principles, we hold the trial court did not err in refusing to rule as a matter of law that "Big Foot" is merely descriptive of the big footprint characteristic of tires.

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In Blisscraft of Hollywood v. United Plastics Co., *supra,* the court held the term "Poly Pitcher" was not descriptive of a polyethylene pitcher. The Court of Appeals for the Second Circuit pointed out that no evidence was presented that the public generally understood "poly" to be synonymous with polyethylene or that "Poly Pitcher" meant a pitcher which was made of polyethylene. The Court also emphasized "Poly Pitcher" was a coined or fanciful mark since it was suggestive of Molly Pitcher of Revolutionary fame.

Likewise, in the instant case Goodyear presented no evidence that tire purchasers considered "Big Foot" to be descriptive of tires and evidence was presented that "Big Foot" evokes association with the Sasquatch Monster. Moreover, the fact that Goodyear filed an application after the commencement of this suit to register "Big Foot" as a trademark for tires in the United States Patent and Trademark Office weakens its position that "Big Foot" is a descriptive term. Independent Nail & Packing Co. v. Stronghold Screw Products, Inc., 7 Cir., 205 F2 921, 925, *cert. denied,* 346 U.S. 886.

As for Goodyear's argument that the issue of secondary meaning should not have been submitted to the jury, Big O concedes it presented no evidence that "Big Foot" had acquired a secondary meaning indicating origin in Big O before Goodyear's use of "Bigfoot" on September 16, 1974. We thus agree with Goodyear's contention that secondary meaning was not a viable issue in the case and should not have been submitted to the jury. However, the improper submission of a question of fact to the jury is not fatal to a verdict unless the substantial rights of the parties are prejudiced. Fed. R. Civ. P. 61; Ollier v. Lake Central Airlines, Inc., 6 Cir., 423 F2 554, 556. In the case at bar

the court clearly limited the issue of secondary meaning as one to be considered only if the jury first found the trademark to be descriptive in nature and that a descriptive trademark, per se, had no protection and both parties could use the term concurrently. Big O did not argue secondary meaning and Goodyear's objection was to the form of the instruction only.

We are satisfied that in view of the entire charge and length and complexity of the case, the reference to secondary meaning could not have misled the jury. *Cf. Gardner* v. *General Motors Corp.*, 10 Cir., 507 F2 525, 529; *Westric Battery Co.* v. *Standard Electric, Co.*, 10 Cir., 482 F2 1307, 1315-16; *Ollier* v. *Lake Central Airlines, Inc.*, *supra*, at 556. Goodyear's contention that the words "significant number" of people could be understood by the jury to mean only one or two is totally devoid of merit. Other objections to the form of this instruction are extended on appeal but need not now be considered.

II.

Goodyear challenges the court's instructions on descriptiveness. The challenged instruction states:

> In this case, Big O Tire Dealers, Inc. claims that by September 16, 1974, it had established the term BIG FOOT as a trademark for two types of automobile tires sold by it: the Big O BIG FOOT 60 and the Big O BIG FOOT 70 tires.
>
> To this claim the defendant Goodyear has raised the *affirmative defense* that the term BIG FOOT is merely descriptive of a quality or characteristic of these Big O tires and it is not distinctive.

(Emphasis added.) Goodyear's objection to this instruction is based on the court's use of the term "affirmative defense." By labeling descriptiveness as an affirmative defense, Goodyear contends the court erroneously put the burden of proving descriptiveness on Goodyear.

Goodyear insists Big O had the burden of proving "Big Foot" was not descriptive. However, the only case Goodyear cites in connection with this proposition, Popular Mechanics Co. v. Fawcett Publications, Inc., D. Del., 1 F. Supp. 292, does not deal with the burden of proof on the descriptiveness issue. On the other hand, Big O is unable to cite any authority for the proposition that descriptiveness is an affirmative defense.

Big O had the burden of proving it had a valid common law trademark. House of Westmore, Inc. v. Denny, 3 Cir., 151 F2 261, 265. Moreover, words which are merely descriptive of a product or its characteristics are not subject to protection as trademarks. Bardahl Oil Co. v. Atomic Oil Co., 10 Cir., 351 F2 148, 150. However, a distinctive mark is entitled to common law trademark protection. Alfred Dunhill of London, Inc. v. Kasser Distillers Products Corp., E.D. Pa., 350 F. Supp. 1341.

In considering the instructions as a whole, we are unable to conclude the trial court committed prejudicial error in labeling descriptiveness as an affirmative defense. The jury was instructed it must find from a preponderance of the evidence that Big O had established "Big Foot" as a trademark for its tires before September 16, 1974. The jury was also instructed that distinctive words are entitled to trademark protection. Coined, fanciful, or arbitrary words were defined as distinctive, but the court charged descriptive words were not distinctive unless they had acquired a secondary meaning.

In hindsight we believe the district court should not have labeled descriptiveness as an affirmative defense. However, the jury was instructed Big O must prove its case by a preponderance of the evidence and distinctiveness was charged as an element of Big O's case. Since distinctiveness was defined as the converse of descriptiveness in the instructions, implicit in the jury's finding of trademark infringement is a finding of nondescriptiveness. Thus, the court's instruction on descriptiveness is not inconsistent with substantial justice. As we so aptly said in Gardner v. General Motors Corp., 10 Cir., 507 F2 525, 528:

> In a complex case such as this we have yet to discover an instance where hindsight might not suggest some improvement in the most difficult field of jury instructions.

Goodyear further contends the testimony of Big O's trademark law expert aggravated the errors in the court's instructions. We disagree. The conduct of the trial and the admission of expert testimony is within the discretion of the district court. There is no indication the court abused its discretion in allowing Big O's trademark law expert to testify. Moreover, the district court specifically cautioned the jury before the expert testified and again in its instructions that the jury was to disregard any of the expert's testimony that was inconsistent with the court's instructions.

III.

During the trial Goodyear raised an affirmative defense based on the extension doctrine claiming its prior use of "Bigfoot" on snowmobile tracks entitled it to use "Bigfoot" on tires. Goodyear contends the court's charge on its ex-

tension defense constituted reversible error. Specifically, Goodyear claims the instructions erroneously imposed on it unnecessary burdens of proof and deprived it of the statutory presumptions to which it was entitled.

In considering the instructions as a whole we are convinced they did not impose unnecessary burdens of proof on Goodyear or deprive Goodyear of its statutory presumptions. The court charged the jury that the legal effect of Goodyear's registration of "Bigfoot" as a mark for snowmobile tracks "is to create a presumption . . . that Goodyear established BIGFOOT as a trademark for snowmobile tracks . . . and that it has continuously used this trademark for snowmobile track since that time and has the exclusive right to do so." This is an accurate statement of the presumption to be given the valid registration of a mark and all of Goodyear's allegations of error in the extension instruction are picayunish at best. The uncontroverted evidence shows Goodyear manufactured only 671 tracks and not all these were sold or even shipped.

IV.

The district court charged the jury:

> A trademark is infringed when a second person (later user) uses it in a manner which is likely to cause confusion among ordinarily prudent purchasers or prospective purchasers as to the source of the products. The test is not one of actual confusion; it is the likelihood of confusion.

The effect of this instruction was to permit the jury to base liability on a likelihood of any kind of confusion. Big O does not claim nor was any evidence presented showing Goodyear intended to trade on the goodwill of Big O or to

palm off Goodyear products as being those of Big O. Instead, Big O contends Goodyear's use of Big O's trademark created a likelihood of confusion concerning the source of Big O's "Big Foot" tires.

The facts of this case are different from the usual trademark infringement case. As the trial judge stated, the usual trademark infringement case involves a claim by a plaintiff with a substantial investment in a well established trademark. The plaintiff would seek recovery for the loss of income resulting from a second user attempting to trade on the goodwill associated with that established mark by suggesting to the consuming public that his product comes from the same origin as the plaintiff's product. The instant case, however, involves reverse confusion wherein the infringer's use of plaintiff's mark results in confusion as to the origin of plaintiff's product. Only one reported decision involves the issue of reverse confusion. In Westward Coach Mfg. Co. v. Ford Motor Co., 7 Cir., 388 F2 627, *cert. denied,* 392 U.S. 927, the court held reverse confusion is not actionable as a trademark infringement under Indiana law.

Consequently, Goodyear argues the second use of a trademark is not actionable if it merely creates a likelihood of confusion concerning the source of the first user's product. Since both parties agree Colorado law is controlling in this case, we must decide whether this so-called reverse confusion is actionable under Colorado law. To our knowledge, the Colorado courts have never considered whether a second use creating the likelihood of confusion about the source of the first user's products is actionable. However, the Colorado Court of Appeals in deciding a trade name infringement case involving an issue of first impression, cogently pointed out that the Colorado Supreme Court

> has consistently recognized and followed a policy of protecting established trade names and preventing public confusion and the tendency has been to widen the scope of that protection.

Wood v. Wood's Homes Inc. v. Colo. App., 519 P2 1212, 1215-16.

Using that language as a guiding light in divining what Colorado law is on this issue of first impression, we hold that the Colorado courts, if given the opportunity, would extend its common law trademark infringement actions to include reverse confusion situations. Such a rule would further Colorado's "policy of protecting trade names and preventing public confusion" as well as having "the tendency [of widening] the scope of that protection."

The district court very persuasively answered Goodyear's argument that liability for trademark infringement cannot be imposed without a showing that Goodyear intended to trade on the goodwill of Big O or to palm off Goodyear products as being those of Big O's when it said

> The logical consequence of accepting Goodyear's position would be the immunization from unfair competition liability of a company with a well established trade name and with the economic power to advertise extensively for a product name taken from the competitor. If the law is to limit recovery to passing off, anyone with adequate size and resources can adopt any trademark and develop a new meaning for that trademark as identification of the second user's products. The activities of Goodyear in this case are unquestionably unfair competition through an improper use of a trademark and that must be actionable.

408 F. Supp. at 1236.

Goodyear further argues there was no credible evidence from which the jury could have found a likelihood of reverse confusion. A review of the record demonstrates the lack of merit in this argument. Big O presented more than a dozen witnesses who testified to actual confusion as to the source of Big O's "Big Foot" tires after watching a Goodyear "Bigfoot" commercial. The jury could have reasonably inferred a likelihood of confusion from these witnesses' testimony of actual confusion. Moreover, two of Goodyear's executive officers, Kelley and Eaves, testified confusion was likely or even inevitable.

V.

The district court ruled that communications between Big O and Goodyear representatives from August 26 to October 10, 1974, were not offers to compromise a dispute. Instead, the court ruled they were simply business communications and were relevant and material to show knowledge, willful infringement, and misconduct by Goodyear. Furthermore, the court ruled that evidence that Goodyear had offered to pay Big O money and the amounts of money under consideration could not be introduced. Goodyear argues the communications between the two parties constituted compromise negotiations and thus were inadmissible under Fed. R. of Evid. 408.

In reviewing this contention we are guided by the principle that the admission of evidence is largely within the discretion of the district court. Moreover, in the absence of manifest error we will not reverse a district court's decision to admit evidence. Reichenbach v. Smith, 5 Cir., 528 F2 1072, 1074.

Specifically, Goodyear's contention is that the communications which the district court admitted were "statements

made in compromise negotiations" within the meaning of Fed. R. of Evid. 408. Rule 408 provides:

> Evidence of (1) furnishing or offering or promising to furnish, or (2) accepting or offering or promising to accept, a valuable consideration in compromising or attempting to compromise a claim which was disputed as to either validity or amount, is not admissible to prove liability for or invalidity of the claim or its amount. Evidence of conduct or statements made in compromise negotiations is likewise not admissible. This rule does not require the exclusion of any evidence otherwise discoverable merely because it is presented in the course of compromise negotiations. This rule also does not require exclusion when the evidence is offered for another purpose, such as proving bias or prejudice of a witness, negativing a contention of undue delay, or proving an effort to obstruct a criminal investigation or prosecution.

Since Rule 408 applies only to compromise negotiations, the district court's ruling that the communications were "simply business communications" is sustainable. A careful perusal of all the testimony relating to the communications convinces us that the court did not commit manifest error in ruling they were business communications and not compromise negotiations. The discussions had not crystallized to the point of threatened litigation, a clear cut-off point, until after October 10, the date of the conversations between Big O's president and Goodyear's executive vice-president.

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VI.

The district court submitted a theory of liability to the jury which the court labeled "trademark disparagement." Since Big O never pleaded such a claim for relief, Goodyear contends it was not given sufficient notice to defend against the trademark disparagement claim. A review of the record shows that the issue of disparagement was tried by implied consent of the parties. Significantly, on the second day of the trial Goodyear's counsel acknowledged awareness of this claim for relief by labeling it "disbarment [*sic*] of title" and citing Landstrom v. Thorpe, 8 Cir., 189 F2 46 (a suit involving the issue of disparagement of title).

Goodyear also contends Big O failed to prove the three elements of the cause of action for disparagement: (1) a false statement; (2) malice; or (3) special damages.

Some of Goodyear's advertising expressly said "'Bigfoot' the new Polysteel Radial only from Goodyear" or "Bigfoot. The Polysteel Radial that keeps its feet even in the rain. Only from Goodyear." Big O asserts these statements are false; whereas Goodyear claims they are true and do not reflect adversely on Big O. Two different meanings could possibly be given to these statements: (1) The Polysteel Radial is available only from Goodyear or (2) "Bigfoot" is available only from Goodyear. The latter meaning is a false statement which disparages Big O's "Big Foot" trademark. The district court properly charged the jury it should give the words "such meaning as would naturally be given by persons of ordinary understanding and intelligence." The issue was properly submitted to the jury.

Goodyear argues a finding of malice is not supported by the record in this case. We disagree. The record shows

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that on January 2, 1975, after the filing of this lawsuit, Goodyear modified its "Bigfoot" television advertising by adding "only from Goodyear." The record shows Goodyear knew of Big O's "Big Foot" tires at least by August 26, 1974, and there was adequate time to remove the reference to "Bigfoot" from Goodyear's advertising before the September 16, 1974, telecast. As the district court said in its post-trial opinion and the jury could have found

> What Goodyear did was to determine that the plaintiff was an insignificant competitor and that Goodyear's investment of time, money and effort was too great to give up the use of the BIGFOOT material even though it would clearly damage and perhaps destroy the plaintiff's use of its trademark.

408 F. Supp. 1233.

Goodyear contends the district court erred in refusing to instruct the jury that a finding of special damages is a prerequisite to recovery for trademark disparagement. The district court admitted that in "defining trademark disparagement, this court did not follow any direct precedent and none has been discovered since the trial." The district court did instruct the jury that trademark disparagement did require proof "[t]hat such false statements had an adverse economic effect upon the plaintiff's business." The court correctly acknowledged that the term "adverse economic effect" is far more inclusive than special damages.

Goodyear has not referred us to any Colorado trademark disparagement cases, nor have we been able to find any. The two Colorado cases Goodyear relies on, Zimmerman v. Hinderlider, 105 Colo. 340, 97 P2 443; McNichols v. Conejos-K Corp., 29 Colo. App. 205, 482 P2 432, are both slander of title cases. Although slander of title is somewhat

analogous to trademark disparagement those two cases are not sufficient to convince us the district court's determination of Colorado law is clearly wrong. We have stated many times that the resident trial court's determination of local law is deemed highly persuasive.

VII.

Finally, Goodyear challenges the jury's verdict awarding Big O $2.8 million in compensatory damages and $16.8 million in punitive damages. Goodyear contends Big O failed to prove either the fact or the amount of damages. Big O asserts the evidence supporting the fact of damages falls into two categories: (1) Goodyear's enormous effort to adopt, use, and absorb Big O's trademark virtually destroyed Big O's ability to make any effective use of its "Big Foot" trademark and (2) Goodyear's false statements that "Bigfoot" was available only from Goodyear created the appearance of dishonesty and wrongful conduct by Big O thereby harming its reputation within the trade and with the public. We agree with the district court that there is sufficient evidence to support the jury's finding of the fact of damages.

Big O also asserts the evidence provided the jury with a reasonable basis for determining the amount of damages. Big O claims the only way it can be restored to the position it was in before Goodyear infringed its trademark is to conduct a corrective advertising campaign. Big O insists it should be compensated for the advertising expenses necessary to dispel the public confusion caused by Goodyear's infringement. Goodyear spent approximately $10 million on its "Bigfoot" advertising campaign.[1] Thus, Big

[1] The parties stipulated that Goodyear spent $9,690,029 through August 31, 1975.

O advances two rationales in support of the $2.8 million award: (1) there were Big O Tire Dealers in 28 percent of the states (14 of 50) and 28 percent of $10 million equals the amount of the award; and (2) the Federal Trade Commission generally orders businesses who engage in misleading advertising to spend approximately 25 percent of their advertising budget on corrective advertising and this award is roughly 25 percent of the amount Goodyear spent infringing on Big O's trademark. The district court used the first rationale in denying Goodyear's motion to set the verdict aside. The second rationale was presented by Big O at oral argument.

The purpose of general compensatory damages is to make the plaintiff whole. Big O concedes it was unable to prove with precision the amount necessary to make itself whole. However, the district court concluded "[t]he damages awarded by the jury would enable Big O to do an equivalent volume of advertising in the states in which there are Big O dealers to inform their customers, potential customers, and the public as a whole about the true facts in this dispute or anything else necessary to eliminate the confusion." 408 F. Supp. 1232. Moreover, the Supreme Court has pointed out that a plaintiff's inability to prove with precision that amount necessary to make itself whole does not preclude recovery since

> [t]he most elementary conceptions of justice and public policy require that the wrongdoer shall bear the risk of the uncertainty which his own wrong has created.

Bigelow v. RKO Radio Pictures, Inc., 327 U.S. 251, 265.

There is precedent for the recovery of corrective advertising expenses incurred by a plaintiff to counteract the

public confusion resulting from a defendant's wrongful conduct. *E.g.,* Petersime & Son v. Robbins, 10 Cir., 81 F2 295, *cert. denied,* 299 U.S. 553; Maytag Co. v. Meadows Mfg. Co., 7 Cir., 45 F2 299, *cert. denied,* 283 U.S. 843; Truzzolino Food Products Co. v. F.W. Woolworth Co., Mont., 91 P2 415; Den Norske Ameriekalinje Actiesselskabet v. Sun Printing and Pub. Ass'n, 226 N.Y. 1, 122 N.E. 463. Unlike the wronged parties in those cases Big O did not spend any money prior to trial in advertising to counteract the confusion from the Goodyear advertising. It is clear from the record Big O did not have the economic resources to conduct an advertising campaign sufficient to counteract Goodyear's $9,690,029 saturation advertising campaign. We are thus confronted with the question whether the law should apply differently to those who have the economic power to help themselves concurrently with the wrong than to those who must seek redress through the courts. Under the facts of this case we are convinced the answer must be no. Goodyear contends the recovery of advertising expenses should be limited to those actually incurred prior to trial. In this case the effect of such a rule would be to recognize that Big O has a right to the exclusive use of its trademark but has no remedy to be put in the position it was in prior to September 16, 1974, before Goodyear effectively usurped Big O's trademark. The impact of Goodyear's "Bigfoot" campaign was devastating. The infringing mark was seen repeatedly by millions of consumers. It is clear from the record that Goodyear deeply penetrated the public consciousness. Thus, Big O is entitled to recover a reasonable amount equivalent to that of a concurrent corrective advertising campaign.

As the district court pointed out, the jury's verdict of $2.8 million corresponds to 28 percent of the approximately $10 million Goodyear spent infringing Big O's mark. Big O has dealers in 14 states which equals 28 percent of the 50 states. Big O also points out the jury's award is close to 25 percent of the amount Goodyear spent infringing on Big O's mark. Big O emphasizes that the Federal Trade Commission often requires businesses who engage in misleading advertising to spend 25 percent of their advertising budget on corrective advertising.[2]

Taking cognizance of these two alternative rationales for the jury's award for compensatory damages we are convinced the award is not capable of support as to any amount in excess of $678,302. As the district court implied in attempting to explain the jury's verdict, Big O is not entitled to the total amount Goodyear spent on its nationwide campaign since Big O only has dealers in 14 states, thus making it unnecessary for Big O to run a nationwide advertising campaign. Furthermore, implicit in the FTC's 25 percent rule in corrective advertising cases is the fact that dispelling confusion and deception in the consuming public's mind does not require a dollar-for-dollar expenditure. In keeping with "'[t]he constant tendency of the courts . . . to find some way in which damages can be

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[2] Amstar Corp., [1973-1976 Transfer Binder] Trade Reg. Rep. (CCH) ¶ 20,356, at 20,240 (FTC 1973); American Home Products Corp., [1970-1973 Transfer Binder] Trade Reg. Rep. (CCH) ¶ 19,962, at 21,983 (FTC 1972); Sun Oil Co., [1970-1973 Transfer Binder] Trade Reg. Rep. (CCH) ¶ 19,856, at 21,871 and ¶ 20,033, at 22,020 (FTC 1972); Ocean Spray Cranberries, Inc., [1970-1973 Transfer Binder] Trade Reg. Rep. (CCH) ¶ 19,981 at 21,993 and ¶ 20,051 at 22,028 (FTC 1972); ITT Continental Baking Co., [1970-1973 Transfer Binder] Trade Reg. Rep. (CCH) ¶ 19,681, at 21,727 (FTC 1971); Coca-Cola Co., [1970-1973 Transfer Binder] Trade Reg. Rep. (CCH) ¶ 19,351, at 21,484 (FTC 1970).

awarded where a wrong has been done,' " [3] we hold that the maximum amount which a jury could reasonably find necessary to place Big O in the position it was in before September 16, 1974, vis-a-vis its "Big Foot" trademark, is $678,302. We arrive at this amount by taking 28 percent of the $9,690,029 it was stipulated Goodyear spent on its "Bigfoot" campaign, and then reducing that figure by 75 percent in accordance with the FTC rule, since we agree with that agency's determination that a dollar-for-dollar expenditure for corrective advertising is unnecessary to dispel the effects of confusing and misleading advertising.

Under Colorado law exemplary damages must bear some relation to the compensatory award. Barnes v. Lehman, 118 Colo. 161, 163, 193 P2 273, 274. The district court in its post-trial opinion upheld the jury's punitive damage award of $16.8 million as not being disproportionate under Colorado law. We find the district court's determination of the reasonableness of a six-to-one exemplary to compensatory ratio to be persuasive, and thus we defer to the district court's interpretation of Colorado law. Therefore, in light of the reduction in compensatory damages proved, the punitive damage award is similarly reduced to $4,069,812, thus maintaining the jury's and district court's six-to-one exemplary to compensatory ratio.

We have considered the numerous other contentions presented by Goodyear as constituting error but are convinced that the hard core of the issues was presented to the jury without error or accumulation of error requiring reversal. As modified the judgment is affirmed.

The case is remanded to the trial court with directions to vacate its judgment and enter judgment in compliance with this opinion.

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[3] Story Parchment Co. v. Paterson Co., 282 U.S. 555, 565.

Appendix B

SEPTEMBER TERM—October 11, 1977

Before:

THE HONORABLE DAVID T. LEWIS, *Chief Judge,*
THE HONORABLE JOHN C. PICKETT, *Senior Circuit Judge,*
THE HONORABLE JAMES F. BARRETT, *Circuit Judge.*

No. 76-1199

BIG O TIRE DEALERS, INC.,

Plaintiff-Appellee,

vs.

THE GOODYEAR TIRE & RUBBER COMPANY,

Defendant-Appellant.

This matter comes on for consideration of appellant's petition for rehearing and appellant's and appellee's bills of costs.

Upon consideration whereof, appellant's petition for rehearing is denied.

It is further ordered that appellant and appellee shall each bear its own costs on appeal.

Appendix B

HOWARD K. PHILLIPS, Clerk

By /s/ ROBERT L. HOECKER
Robert L. Hoecker
Chief Deputy Clerk

A true copy
Teste
Howard K. Phillips
Clerk, U. S. Court of
Appeals, Tenth Circuit

By
/s/ LINDA A. CARLSON
Deputy Clerk

Appendix C

IN THE

UNITED STATES DISTRICT COURT

FOR THE DISTRICT OF COLORADO

Civil Action No. 74-M-1106

BIG O TIRE DEALERS, INC.,
a Colorado corporation,

Plaintiff,

v.

THE GOODYEAR TIRE & RUBBER COMPANY,
an Ohio corporation,

Defendant.

FILED

United States District Court
Denver, Colorado
FEB 13 1976, 11:00 A.M.

JAMES R. MANSPEAKER
Clerk

By /s/ ROBERT (Illegible)

FINDINGS OF FACT, CONCLUSIONS OF LAW,
MEMORANDUM OPINION AND ORDERS

MATSCH, Judge

Plaintiff, Big O Tire Dealers, Inc. (hereinafter "Big O"), a Colorado corporation with its principal place of business in Englewood, Colorado, filed the complaint initiating this

action on November 27, 1974. The defendant, The Goodyear Tire & Rubber Company (hereinafter "Goodyear"), is an Ohio corporation with its principal place of business in Akron, Ohio. The original complaint alleged Big O's ownership of a trademark BIG FOOT[1] for automobile tires and it claimed relief from Goodyear for false designation of origin under 15 U.S.C. § 1125(a), because of Goodyear's use of the same trademark in connection with tires. A claim for common law trademark infringement was also alleged with jurisdiction based on diversity of citizenship, 28 U.S.C. § 1332. There is no question about jurisdiction over the subject matter and the parties.

The plaintiff made a timely jury demand. A motion for preliminary injunction was heard and denied in January, 1975. The evidence presented at that hearing was conflicting on a number of issues and, because the court could not anticipate the jury's findings, there could not be a determination that the plaintiff would ultimately prevail. Additionally, the plaintiff was considered to have an adequate remedy in the claim for damages.

The plaintiff was formed in 1962 and it engaged in the business of providing merchandising techniques, advertising concepts, operating systems and other aids to approximately 200 independent retail tire dealers in 14 states, who identified themselves to the public as Big O dealers. These stores sold replacement tires in the retail market using the Big O label on "private brand" tires made by one or more of the major tire manufacturers. These dealers also sold other companys' brands such as B. F. Goodrich and Michelin tires.

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[1] Throughout this opinion, BIG FOOT is the spelling used to indicate the plaintiff's use and BIGFOOT is the spelling used by the defendant.

In the fall of 1973, Big O had Admiral Company manufacture tire molds for two tire models. One of those was designed to produce a tire with raised white lettering on the sidewall saying "Big O BIG FOOT 60". The other was designed to produce such a tire saying "Big O BIG FOOT 70". Uniroyal manufactured tires with these molds and the first shipment of such tires occurred in interstate commerce in February, 1974. Such tires were prominently displayed at a convention of Big O tire dealers in Reno, Nevada in March, 1974. Big O dealers began the sale of such tires to the public in April, 1974.

The defendant is the world's largest tire manufacturer, selling its tires to automobile makers as original equipment and selling to dealers in the replacement tire market. With respect to the replacement market, sales are made through a nationwide network of company owned stores, franchise dealers and independent retailers. In early 1974, Goodyear began making a new radial tire for the original equipment market. Because that new radial tire was thought to have better wet traction characteristics than Goodyear's other tires, an advertising agency was employed to develop a promotional program with that emphasis for the replacement tire market in June, 1974. This tire model was named "Custom Polysteel Radial" and that name was molded into the tire's sidewall.

Beginning in September, 1974, Goodyear launched a massive advertising program using television commercials, magazine and newspaper advertising and point of sale material, all using the word BIGFOOT in connection with this Custom Polysteel Radial tire. Goodyear had invested approximately $5,000,000. in BIGFOOT advertising up to the time of the preliminary injunction hearing.

Appendix C

In refusing injunctive relief, this court observed that the crucial questions of fact to be resolved by the jury included these: Was BIG FOOT merely descriptive as applied to automobile tires? If so, had Big O established a secondary meaning? Was there a likelihood of confusion as to the source of origin of the tires made by Goodyear and the tires sold by Big O dealers? Did the defendant have a prior right to the use of BIGFOOT for tires as a result of its use of BIGFOOT on snowmobile replacement track?

Following a series of motion hearings and pre-trial conferences, the case was tried to a jury for ten days. After three days of deliberation, a verdict was returned on September 4, 1975. During the course of the trial, counsel for both parties submitted many proposed instructions and a number of conferences were held on the subject of instructions. All counsel were given a full opportunity to consider, comment upon and make record objections to the instructions prepared by the court. By agreement of counsel, copies of the instructions as read were given to each juror for use in deliberation.

A set of those instructions which the court specifically designed for this case, bearing numbers 1 through 22, and a copy of the verdict are attached as Appendix I. The jury was asked to consider and separately determine three theories of liability, identified in the form of verdict as trademark infringement, false designation of origin and trademark disparagement.

The elements of the claim for a common law trademark infringement and the defenses to that claim were given in Instructions 3 through 13.

The elements of a claim for recovery on the theory of a false designation of origin under § 43(a) of the Lanham Act, 15 U.S.C. § 1125(a), were given in Instruction 14.

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What this court chose to call "trademark disparagement" was a theory given in Instructions 16 through 20. This theory of recovery did not appear in the plaintiff's original complaint and it was not contained in the amended complaint filed in December, 1974. In fact, the plaintiff never articulated such a theory prior to the trial of this case. Plaintiff's counsel did make an oral motion to amend the complaint to conform to the evidence. Such a motion was not necessary under F.R.C.P. 15(b) because defense counsel were well aware of the factual and legal questions involved in the case. This procedure could not have prejudiced the defendant. As a result of the extensive pre-trial conferences and other hearings preliminary to the jury trial, the defendant was made fully aware of the evidence which the plaintiff intended to introduce and the operative facts which it intended to establish by that evidence. There is nothing to indicate that the conduct of this trial would have been different in any respect if this theory of relief had been fully described in the plaintiff's complaint.

The jury found for the plaintiff on the claim of liability for trademark infringement, for the defendant on the claim of liability for false designation of origin and for the plaintiff on the claim for trademark disparagement. Compensatory damages of $2,800,000. and punitive damages of $16,800,000. were awarded. Those damages were available under either of the two theories of liability on which the plaintiff prevailed.

It remains for the court to consider the equitable claims in the case and a number of post verdict motions. In deciding these questions, the court is bound by the facts determined by the jury to the extent that such facts may be inferred from the form of the verdict. It would be an invasion of the province of the jury and a denial of the

right to trial by jury for the court to make any findings in conflict with the verdict when it is supported by the evidence. That is true in this case.

It is difficult to infer a set of ultimate facts from the verdict of liability on the claim for common law trademark infringement. Obviously, there must have been a finding that both Big O and Goodyear made a trademark use of BIGFOOT (BIG FOOT) in connection with automobile tires. It is equally obvious that the jury must have found that Big O had established BIG FOOT as a trademark for its tires before September 16, 1974 and that Goodyear, in its advertising and sales program beginning with a nationwide telecast on September 16, 1974, used BIGFOOT in a manner likely to cause confusion among persons using ordinary care and prudence in the purchase of tires.

Because of the conflicting evidence on the issue, it is impossible to determine whether the jury found that BIG FOOT was merely a descriptive word for which Big O developed a secondary meaning before September 16, 1974 or whether the finding was that BIG FOOT was sufficiently distinctive to be a trademark.

To reach the result of liability for infringement, the jury necessarily had to reject the affirmative defense of extension or expansion to related products which Goodyear claimed for its earlier use of BIGFOOT on replacement snowmobile track belts. They could have done so on one of several findings: that Goodyear did not have a valid trademark for snowmobile track belts; that track belts and automobile tires are not related products; that Goodyear's use of BIGFOOT for snowmobile track belts was only a token use and that the trademark use of BIGFOOT for snowmobile track belts was abandoned by Goodyear.

A review of the elements of the claim for false designation of origin under § 43(a) of the Lanham Act contained in Instruction 14 and a comparison of those elements with the instructions for common law trademark infringement give rise to the deduction that in finding for the defendant under the Lanham Act claim, the jury concluded that the plaintiff failed to show that Goodyear's use of BIGFOOT in connection with automobile tires constituted a false representation with respect to the origin of the tires sold by Goodyear. In short, the jury found that there was no passing off of Goodyear tires as being from an origin other than Goodyear.

To find for the plaintiff on the claim of trademark disparagement, the jury must have determined that Big O had established BIG FOOT as a trademark for automobile tires by September 16, 1974; that Goodyear published false statements to the plaintiff's customers or potential customers which could reasonably be understood to cast doubt upon or confusion about the validity of Big O's BIG FOOT trademark; that Goodyear acted with malice, intending to vex, injure or annoy Big O; and that these false statements had an adverse economic effect upon the plaintiff's business.

Because the questions of good faith and intentional injury are very relevant to the equitable issues now to be decided, it is appropriate for me to amplify the jury's ultimate conclusion upon the basis of the evidence received at the preliminary injunction hearing and the jury trial so long as the findings are consistent with the verdict.

In June, 1974, officials of Goodyear held meetings with representatives of Young & Rubicam, an advertising agency, to develop an advertising program for the promotion of the Goodyear Custom Polysteel Radial tire in

the replacement market. At such a meeting on June 20, 1974, the advertising people suggested the BIGFOOT name to emphasize the width and traction of the tire. That idea was developed and evolved through a series of meetings in the summer of 1974 and on July 10, 1974 it was decided that the word BIGFOOT would become the central focus of a complete multi-media advertising program for this tire. Displays, brochures, signs and other point of sale material were designed and produced with that word in large, white, block letters. Mats were made for newspaper advertising. Full page and two page ads were designed for national magazines and television commercials were prepared.

The television commercials are of particular significance in this case. Both 60 second and 30 second commercials were produced. These commercials all follow the same format, using the style of a folk ballad talk song with dramatic photography of automobiles, equipped with these Goodyear tires, turning on wet mountain roads, crossing bridges and encountering various road hazards. The word BIGFOOT in large, white, block letters flashes on the screen with the sound of thunder. An unseen announcer interrupts to introduce the Custom Polysteel Radial from Goodyear while a picture of the tire is shown. After more of the talk song and photography emphasizing the wet traction characteristics of the tires the commercial is concluded with the Goodyear name and Goodyear logo displayed. To give maximum effect to the impact of this program, the advertising, marketing and distribution efforts of Goodyear were coordinated to be certain that the Custom Polysteel Radial tires were available at Goodyear stores and at the stores of Goodyear dealers at the time of this first use of the television commercials. To accomplish that, it

was necessary to advise all stores managers and dealers that this advertising program would take place and to have these tires in their inventories when it began. Mr. John Kelley, Goodyear's vice president for advertising, together with other Goodyear officials, were the speakers on a video tape which was played at meetings of Goodyear regional managers held in various places throughout the United States in August, 1974. In this presentation, Mr. Kelley explained the BIGFOOT advertising program.

There can be no better description of the scope, purpose and intent of Goodyear than the words used by Mr. Kelley in that presentation, a transcript of which is in evidence as Plaintiff's Exhibit 1824:

• • •

First, we are putting six million dollars behind the launch between now and New Year's Day. That's about as much as we spent the entire first year of POLYGLAS. With all that radial competition out there and on the TV tube, it takes that kind of money these days to break through the noise barrier and make a name for yourself.

Second, we are once again putting most of our marbles on TV, because no other advertising medium can be so efficient and so dramatic in helping us to establish the superiority of our new POLYSTEEL radial.

Third, we are going to back up the advertising right down the line with national magazine ads, newspaper announcements, radio spots, point of sale displays, product literature, promotional gimmicks, and sales training programs.

• • •

Okay. With all those steel belted radials already on the tube, just how are we going to position POLY-STEEL radials as something different from all the rest, and something strongly identified with Goodyear?

How are we going to do what we must do, break through the radial clutter?

Well, I would like you to take a real close look at a completely fresh and memorable kind of tire TV commercial. These aren't the finished and polished commercials you will see in September, but all the flavor and personality of the final versions are represented on these test commercials to give you a real good idea of the kind of excitement we are talking about.
Let's watch.

• • •

Well, fellows, you have just heard the magic words "BIGFOOT, the POLYSTEEL radial from Goodyear; keeps its feet even in the rain," a distinctive and memorable name and consumer benefit.

That's the thumbnail description of our new tire we are counting on to set us apart from all the rest of the radials—"BIGFOOT, new POLYSTEEL radial from Goodyear; keeps its feet even in the rain."

These BIGFOOT commercials tested 50 per cent better than tire industry averages in the critical area of persuasiveness, and they tested a good one-third better than even last year's Steelgard commercials for establishing that our radial is different from other radials.

Starting on the NFL Monday Night Football Game of September the 16th, and roaring right on through the big year-end Bowl games, we will run 163 commercials in exclusive positions in major football and other

prime time telecasts, and by "exclusive," I mean no other tire sponsors will be there to water down our story, . . .

• • •

Suffice it to say, that what all this means is that we will reach about 80 per cent of all the males in the USA about five times a month all during the fall introductory period.

You think they won't know about BIGFOOT? You bet they will!

I would like to point out on the schedule something new for 1974, our exclusive position in the ABC Sunday Night Movies, 1973 top-rated movie series on TV. We will be a part of such blockbusters as "The Poseidon Adventure," "Thunderball," "Summer of '42," "Airport," and other super movies.

We will reach millions on these Sunday nights and help us to catch some tire buyers who aren't necessarily football fans. [sic] What's more, we will be out of the tire clutter on Sunday football.

In addition to all that wonderful and expensive TV, we will be running introductory POLYSTEEL radial ads in nine national magazines where the most likely radial tire buyers are found: *Time, Newsweek, Sports Illustrated, U. S. News and World Report, Business Week, Road and Track, Motor Trend, Car and Driver, Hot Rod.* All these magazines are prime targets where readers will meet BIGFOOT in introductory ads. Copy in the introductory magazine ads stresses the importance of POLYSTEEL'S advanced wet traction features.

• • •

Goodyear did exactly what Mr. Kelley said it would do. The BIGFOOT promotion was launched on the Monday Night Football telecast by ABC on September 16, 1974 and all of the other plans were implemented as scheduled. The fact that it was all done with the knowledge obtained as a result of intervening events is the cause of this lawsuit.

A district manager for Goodyear named Ray Engle observed a Big O BIG FOOT tire in Salt Lake City, Utah on Saturday, August 24, 1974. Because Mr. Engle had just returned from a district managers' meeting in Los Angeles where he had learned of Goodyear's BIGFOOT promotional plans, he immediately telephoned the Goodyear offices in Akron, Ohio. As a result of that Saturday telephone call, a meeting was held on Monday morning August 26, at which time Mr. Kelley was informed of the existence of the Big O BIG FOOT tire. Mr. Hook, Goodyear's trademark attorney, was immediately consulted. Mr. Hook and Mr. Kelley requested that Mr. Wilson Green, president of Lee Tire and Rubber Company, a Goodyear subsidiary, make a telephone call to Mr. Norman Affleck, the president of Big O. Mr. Green was selected for this contact because Lee Tire and Rubber Company manufactured tires for the private brands market and he was acquainted with Mr. Affleck. In that conversation, Mr. Green informed Mr. Affleck of Goodyear's intent to use BIGFOOT in promotional material for its Custom Polysteel Radial tire. Mr. Green asked Mr. Affleck to give Goodyear a letter indicating that Big O had no objection to this use of BIGFOOT. When Mr. Affleck replied that he could not make that decision alone and that he would have to know more about the matter to inform the Big O board of directors, Mr. Green suggested that Mr. Affleck talk to Mr. Kelley.

Mr. Affleck called Mr. Kelley. In that conversation, Mr. Kelley also asked for a letter indicating that Big O had no objection to Goodyear's use of BIGFOOT for a period of twelve months. In answer to Mr. Affleck's request for more information about the manner of that proposed use, Mr. Kelley said that Mr. Houlette, a Goodyear official, would visit with Mr. Affleck and show him samples of the kind of advertising materials which Goodyear was planning to use. Mr. Houlette did make that trip on August 30, 1974 and he did display that material to Mr. Affleck, including rough versions of the television commercials. When Mr. Affleck indicated his concern that this material would be damaging to Big O, Mr. Houlette suggested that it might help Big O and he said that plates for ads had already been sent to national magazines.

Mr. Affleck then called Mr. Kelley again to advise that there definitely was a problem to be discussed. They agreed to meet during the convention of the National Tire and Retread Dealers Association in New Orleans on September 10, 1974. Mr. Affleck was accompanied by two Big O directors, Mr. William Thomas and Mr. Guy Burgess. Goodyear was represented by Mr. Kelley and Mr. Lee McDonald, manager of consumer market planning. At that meeting, Mr. Affleck displayed a Big O BIG FOOT tire. The particular tire seen by Mr. Kelley and Mr. McDonald was identical with those being sold through the Big O organization except that it also had two raised white footprints on the sidewall because Big O was then considering that as an addition to its tire design. The words Big O BIG FOOT were in raised white letters on the sidewall of the Big O tire.

Mr. Affleck and his area directors told Mr. Kelley and Mr. McDonald that Big O objected to any use by Goodyear

of the word BIG FOOT in connection with automobile tires. Mr. Affleck pointed out that the Big O dealers' organization would be severely damaged if the dealers came to the conclusion that Big O was not able to protect an exclusive right to the use of this trademark. The Big O representatives also made it clear that they were not interested in money; but, that they were concerned about preserving an exclusive use of this trademark. They requested Goodyear to withhold this advertising. Mr. Kelley and Mr. McDonald said that the Goodyear program was too expensive and too far along to stop. They explained that advertising had been arranged for national magazines and that the point of sale materials had been distributed. The Big O representatives indicated an understanding of the problem and asked what amount of time would be required to terminate the program. The Goodyear answer was indefinite and uncertain but there was a suggestion that several weeks would be required to wind it down. Mr. Kelley said that he would have to discuss this matter with other officers and reply to Big O at a later time.

Mr. Kelley reported the results of this New Orleans meeting to Mr. Charles Eaves, Goodyear's executive vice president for sales. Mr. Eaves decided that Goodyear would go forward with the BIGFOOT campaign and so informed Mr. Kelley.

On September 17, 1974, Mr. Affleck wrote a letter to Mr. Kelley. In that letter, Mr. Affleck set out his understanding that as a result of the New Orleans meeting, Goodyear would end its BIGFOOT campaign as soon as possible. Because he had received no new information, Mr. Affleck then called Mr. Kelley on September 26, 1974.

Mr. Kelley said he had written a letter advising that Goodyear had decided to go ahead with its plans for this promotion. When Mr. Affleck objected, Mr. Kelley suggested a talk with Mr. Eaves.

Mr. Kelley's letter, dated September 20, 1974, responded to Mr. Affleck's letter of September 17. After denying any commitment to discontinue use of BIGFOOT, Mr. Kelley wrote:

• • •

> We believe Goodyear has a clear right to use the BIGFOOT name in connection with tires in view of our established use of this name on a closely related product line. On the other hand, we did indicate to you that we consider BIGFOOT a nickname which we are using as a means of quickly personalizing our new Polysteel radial tire, rather than the official name of the tire itself. In this context, we intend to continue to use BIGFOOT in this manner for as long as our research indicates that it is a helpful advertising device.
>
> • • •
>
> [Defendant's Exhibit 2647]

After the telephone conversation of September 26, Mr. Kelley sent another letter, dated October 2, 1974, repeating Goodyear's intent to use BIGFOOT. [Plaintiff's Exhibit 1801] In that letter he suggested that Goodyear may challenge Big O's right to make any use of that name on a tire.

On October 10, 1974, Mr. Affleck talked with Mr. Eaves by telephone. In that conversation, Mr. Eaves was firm in restating Goodyear's position that it was going forward with the use of the BIGFOOT name in its promotion of the Custom Polysteel Radial tire. He told Mr. Affleck that

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Big O had failed to protect itself by spending the money to register the name and that he was confident of Goodyear's legal position. Mr. Eaves did indicate that Goodyear would like to avoid giving the appearance of being unfair and that he did not want to have any "David and Goliath" publicity in trade publications. Mr. Eaves suggested that there could be financial arrangements to "ease your pain" and to assist Mr. Affleck in his position with his board of directors. Mr. Eaves said that because Goodyear could not let go of its massive investment in the BIGFOOT campaign, there were only three possible solutions. First, Big O could discontinue the use of BIG FOOT on its tires. Mr. Eaves said that Goodyear would be willing to make some payment to reimburse Big O for its investment and expenses and something for damaged feelings. No amount was discussed. The second option was concurrent use of BIGFOOT (BIG FOOT) by Big O and Goodyear. Mr. Eaves also indicated that Goodyear would be willing to make some payment under that situation but it would be worth more to Goodyear if Big O discontinued its use. The third possibility was to have the matter go into litigation with either party initiating a suit. Mr. Eaves said that Goodyear would wish to avoid litigation but that if Big O did sue the case would take long enough to go through court that Goodyear may well have obtained all of the benefits from the name during that time.

During this conversation Mr. Affleck told Mr. Eaves of the concern that the effect of any use by Goodyear would be to shake the confidence of dealers in the ability of the management of Big O to protect them. Mr. Affleck suggested a joint meeting of the boards of directors of the two organizations. That was rejected by Mr. Eaves.

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The Custom Polysteel Radial tire of Goodyear was distributed and sold throughout the United States, with the use of the BIGFOOT advertising. The jury's conclusion that this constituted a trademark use of BIGFOOT for this tire by Goodyear is amply supported by the evidence. This massive advertising undertaking continued and carried through the time of the jury trial in this case. At that time Goodyear had made a total investment of approximately $10,000,000. in the BIGFOOT advertising campaign.

The evidence presented to the jury did establish actual confusion among the consuming public as a result of the concurrent use of the BIGFOOT (BIG FOOT) trademark. That confusion took several different forms. Persons who had already purchased Big O BIG FOOT tires before September 16, 1974 thought that their tires were made by Goodyear for Big O. Big O tire customers asked their dealers whether they were associated with Goodyear. Other customers of Big O wondered how two companies could use the same name as a trademark for tires. There was testimony from consumers about their confusion as to who really owned the trademark BIGFOOT (BIG FOOT) and which company had it first.

One significant effect from concurrent use was confusion resulting from the difference in construction of the tires sold by the two companies. The Goodyear tire was a radial tire and Big O sold bias belted tires. The evidence showed that potential customers came to Big O dealers asking for BIGFOOT (BIG FOOT) tires as a result of Goodyear's commercials. Big O salesmen then had to explain the difference in the construction of these tires. The necessity for such an explanation gave an obvious negative quality to such customer contacts.

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Because of the apparent and known difference in size between the companies, it was a reasonable and a natural consequence for people to assume that Goodyear had the exclusive legal right to the use of BIGFOOT as a trademark and that Big O was using that trademark illegally. That did, in fact, occur. The clearest and most graphic illustration in the testimony was that when a Big O dealer attempted to place a display ad in the yellow pages of a telephone directory, using the phrase "Home of BIG FOOT", the telephone company's representative told him that it could not be done because the name BIGFOOT belonged to Goodyear.

This implication of a wrongful and dishonest use of BIG FOOT by Big O arose not only from the continued and voluminous advertising use of BIGFOOT by Goodyear; it was also created by the content of these advertising messages. The initial full page ads appearing in national magazines and trade journals in September, 1974 used the phrase "Introducing BIGFOOT—the Polysteel Radial from Goodyear". [Defendant's Exhibit 247] In a typical television commercial, the initial use of BIGFOOT in the talk song was accompanied by the appearance of the word BIGFOOT in bold, white, block letters on the screen and the sound of thunder. Immediately following that was a close-up picture of the tire on a car moving on a wet surface with the audible announcement, "Introducing the new Polysteel Radial from Goodyear". [Defendant's Exhibit 194]

In television commercials produced and shown after this lawsuit began, the announcer ended with the statement, "'BIGFOOT' the new Polysteel Radial . . . only from Goodyear", while the screen showed "BIGFOOT The Polysteel Radial" followed by the Goodyear logo. [Plaintiff's

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Exhibit 1458-A, GTAY 3614] The name and logo of Goodyear were prominently displayed in all of the advertising.

Having unleashed this extraordinary effort to identify the name BIGFOOT with this Goodyear tire and the defandant company, after learning of the Big O BIG FOOT tires, the officers of Goodyear must be presumed to have foreseen that one of the consequences of such concurrent but disproportionate use would be the creation of an innuendo that Big O was trading off of Goodyear in violation of the law.

Goodyear's use of BIGFOOT had a devastating impact on the independent dealers in the Big O organization, many of whom testified at the jury trial. They said that when they first saw the Goodyear advertising, they were shocked, angered and amazed that this use of BIGFOOT was being made. These dealers had understood that BIG FOOT was the exclusive property of Big O as a result of their dealer meeting in Nevada in March, 1974. They were all quite conscious of the difficulty which they had as small, independent retailers in competing with the large tire manufacturers such as Goodyear. Their attitude was defensive and they all expressed a great sensitivity about being able to operate independently and effectively. They also appeared to be in a close alliance through communications with the plaintiff company.

While these differing types of confusion did exist, there is no evidence that any direct economic losses resulted. The plaintiff did not produce evidence of lost sales of Big O tires or any other type of lost income. Moreover, the evidence is clear that no dealers were lost and, indeed, new dealers were added to the organization during the time of this concurrent use.

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In discussing the inferences to be drawn from the jury's verdict, I observed that there is no way to determine the jurors' view of the defendant's affirmative defense based upon its prior use of BIGFOOT as a trademark for snowmobile track. Because that defense does relate to the matters which I must now determine it is necessary for me to make a definitive ruling on it from the evidence presented at the jury trial and the preliminary injunction hearing.

In a production run for two or three months in 1973, Goodyear manufactured 671 units of track belts for replacement use on snowmobiles. In that manufacture they used molds which caused the word BIGFOOT to appear in raised lettering on the track and they also caused human type footprints for left and right feet to appear on the track in such a manner that when the snowmobile was operated footprints would be left in the snow. Goodyear filed for a registration for use of BIGFOOT as a trademark for snowmobile track in December, 1973 and such a registration was obtained on October 15, 1974. These 671 BIGFOOT snowmobile track belts were specifically designed as replacements for two models of the Ski-Doo vehicle made by Bombardier and they could not be used on other snowmobiles. The BIGFOOT track belts were a very small part of Goodyear's snowmobile track production, most of which was sold to manufacturers as original equipment. Not all of the 671 were sold or even shipped and Goodyear has not made a single BIGFOOT snowmobile track since 1973.

The sales which were made were to various types of retail stores in states with substantial snowfall. The only relationship between snowmobile track belts and automobile tires is that they are manufactured in a somewhat similar process using some of the same raw materials and

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they are used on land surface vehicles. While the defendant was able to show that, coincidentally, some snowmobile track belts are sold by some of the same dealers who sell automobile tires, these products are not sold through the same channels of trade distribution.

Automobile tires and snowmobile track belts are not advertised, promoted and marketed in the same manner and the BIGFOOT mark as used on snowmobile track belts is not particularly distinctive.

In my view, there is not a likelihood of confusion of the origin of BIGFOOT snowmobile track and BIGFOOT in connection with automobile tires. It is my conclusion that the use of BIGFOOT for snowmobile track by Goodyear was no more than a sporadic, casual and transitory use which was not part of an ongoing program to exploit it as a trademark. Accordingly, it was only a token use which did not create a trademark right of exclusive use. Moreover, the lack of sales, the failure to advertise or promote the BIGFOOT snowmobile track belts and the failure to resume manufacture of it must be considered to constitute an abandonment of the name BIGFOOT for snowmobile track before Big O's use of BIG FOOT for automobile tires.

Defendant's Motions for Judgment Notwithstanding the Verdict Or for a New Trial

Because the defendant's motions for judgment notwithstanding the verdict under Rule 50(b) or, alternatively, for a new trial under Rule 59 raise a number of common issues, they may be considered together. It is asserted that the verdict must be set aside because there was no reasonable basis for the jury to measure any reduction

in the value of the plaintiff's goodwill and that the evidence does not support the compensatory damage award. The jury found general compensatory damages in the amount of $2,800,000. pursuant to Instruction 21. There, the jury was told that the plaintiff was not seeking recovery for lost sales, past or future, and that the measure of the plaintiff's damage was the difference between the value of its goodwill before and after the acts of the defendant. Specifically, the jury was instructed that damages could be awarded on the plaintiff's contention that it would be required to conduct an informational advertising campaign "to place Big O Tire Dealers, Inc. in whatever position with respect to the word BIG FOOT for tires that it may have enjoyed prior to September 16, 1974."

The amount of the award of compensatory damages leads to the logical inference that the jury accepted the claim that advertising was the appropriate way for the plaintiff to repair the damage to its goodwill. The evidence showed that there were Big O Tire Dealers in 14 of the 50 states. 14 is 28% of 50. Goodyear spent $10,000,000. in saturation advertising of BIGFOOT. 28% of $10,000,000. is $2,800,000., the amount of the award. While there is authority for such a measure of damages in the trade libel or business disparagement cases to be considered later in this opinion,[2] I know of no direct precedent for this measure of damages in a trademark infringement case. I also am unaware of any case with comparable facts.

The usual trademark infringement case involves a claim by a plaintiff, with a substantial investment in a well established trademark for particular products, to recover for the loss of income as a result of a second user attempting to trade on the goodwill associated with that established mark, by suggesting to the consuming public that his products come from the same origin as those of the plaintiff. Clearly, Goodyear did not make any effort at such deception and the jury found that there was no false designation of origin in violation of the Lanham Act.

[2] See discussion at page 53-55, *infra*.

The uniqueness of this case results from a combination of circumstances. Goodyear is a very large corporation with enormous economic capacity. Television is a medium of communication, visually and audibly, which is capable of capturing the attention of a nationwide audience at a single point in time. Professional football games generate enough interest, nationwide, to attract a very large number of viewers for a telecast. In 1974, Monday Night Football was a program with a particularly large audience appeal. Thus, by its commercials run during the course of that single telecast on September 16, 1974, Goodyear successfully associated the name BIGFOOT with its tires in the minds of a large number of people.

The result was that actual confusion about this trademark was created literally overnight. It is true that this confusion was not shown to have resulted in persons buying from Goodyear upon the mistaken belief that they were buying a product sold by Big O. That cannot, however, become the sole basis for liability for trademark infringement. To permit Goodyear to act in blatant disregard of the plaintiff's position merely because it did not pass off its tires as Big O's would eliminate the protection of a business in the property right to identify itself and its products to the public. While the mere difference in size and economic power between competitors is not unfair,

the competition becomes unfair if that power is used with a complete disregard of the property rights of the smaller company. There is adequate evidence for the jury to conclude that the result of Goodyear's advertising was the destruction of the ability of Big O to make any effective use of BIG FOOT to identify its products or its company as a source of such products. The destruction of a trademark must surely be an infringement of it.

In this case there were no claims for out of pocket expenses or for lost earnings. Yet, it is clear that the plaintiff was injured. Whether the wrong done by Goodyear should be characterized as common law trademark infringement or trademark disparagement, the result of it has been confusion in the minds of the public with respect to the relationship between Big O and Goodyear. That confusion did not exist before September 16, 1974. That confusion is, in itself, damage. The appearance of dishonesty and wrongful conduct by Big O harms its reputation within the trade and with the public. It is reasonable to redress that wrong by giving the plaintiff enough money to conduct an advertising program of its own. Such an award of damages is consistent with the general measure of damages for any tort which, as stated in Instruction 21, is the amount necessary to make the victim whole.[3] The

[3] The defendant argues that there is no precedent for such an award and cites *Aladdin Mfg. Co.* v. *Mantle Lamp Co.*, 116 F.2d 708 (7th Cir. 1941) as authority disapproving of this theory of recovery. In that case, an infringer was required to account for its profits and a special master's recommendation that advertising expenses of the infringer should be added as exemplary damages was rejected. The court did not consider any claim for recovery of the cost of protective advertising by the victim of the infringement. The case is irrelevant. It should be noted that in the same circuit, it was recognized that this kind of advertising can be

damages awarded by the jury would enable Big O to do an equivalent volume of advertising in the states in which there are Big O dealers to inform their customers, potential customers, and the public as a whole about the true facts in this dispute or anything else necessary to eliminate the confusion. Whether Big O actually uses the money for that purpose or any other purpose is as irrelevant as whether a personal injury claimant uses his damage award to pay past or future medical and hospital expenses.

What is relevant is that in this case the *fact of damage* has been established with reasonable certainty. There is no doubt that Big O's trademark was affected by Goodyear's $10,000,000. advertising program. Moreover, there is a basis for the jury's determination of the *amount* of damage because the $2,800,000. is 28% of the $10,000,000. expended by Goodyear. In antitrust cases, it has often been held that, where the evidence shows the fact of damage, there can be recovery even though there is no clear standard for measuring the extent of the injury. The rationale for this approach is that "[t]he most elementary conceptions of justice and public policy require that the wrongdoer shall bear the risk of the uncertainty which his own wrong has created." *Bigelow* v. *RKO Radio Pictures, Inc.*, 327 U.S. 251, 365 (1946). The Tenth Circuit has recognized the applicability of this reasoning in a business disparagement case, *Stoody Co.* v. *Royer*, 374 F.2d 672 (10th Cir. 1967), and it is certainly appropriate in this case.

considered as an element of actual damage in a business disparagement case. See *Maytag Co.* v. *Meadows Mfg. Co.*, 45 F.2d 299 (7th Cir. 1930). That is consistent with the holding in this circuit in *Ira M. Petersime and Sons* v. *Robbins*, 81 F.2d 295 (10th Cir. 1936). These cases are discussed more fully at pages 27-28, *infra*.

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The defendants have attacked the award of punitive damages by contending that there was insufficient evidence of evil intent to justify any award of such damages. The jury in this case was instructed in accordance with Colorado law. 1973 C.R.S. § 13-21-102. The approved instruction implementing that statute appears in *Colorado Jury Instructions,* 1975 Supplement, Instruction 5:3. It requires a finding beyond a reasonable doubt that the injury complained of was attended by circumstances of fraud, malice, or a wanton and reckless disregard of the rights and feelings of the plaintiff. Viewing the award of punitive damages in this case as relating to the trademark infringement claim, it is not necessary that there be proof of "evil intent" because malice is not an element of that claim. The jury finding of punitive damages on that claim is supported if the evidence is sufficient to warrant a determination beyond a reasonable doubt that Goodyear acted with a wanton and reckless disregard of the rights of the plaintiff. The evidence is adequate for that finding. Goodyear was made well aware of plaintiff's position at least by September 10 and there was adequate time to remove the infringing use of the trademark before the September 16 telecast.

What Goodyear did was to determine that the plaintiff was an insignificant competitor and that Goodyear's investment of time, money and effort was too great to give up the use of the BIGFOOT material even though it would clearly damage and perhaps destroy the plaintiff's use of its trademark. Goodyear then proceeded with an intentional and deliberate infringement of the plaintiff's trademark. In short, Goodyear elected to ignore completely the property rights of Big O. It is difficult to characterize such conduct in any manner more favorable

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than as a wanton and reckless disregard of the plaintiff's rights.

The defendant argues that special damages are an essential element for liability on the theory of trademark disparagement and that there is no evidence of that type of damage in this case.

It must be observed that in giving Instructions 16 through 20, defining trademark disparagement, this court did not follow any direct precedent and none has been discovered since the trial. Yet, there is nothing which is really new or novel, conceptually, in the elements of this theory. The instructions are simply a synthesis of well established legal and equitable principles.

The law of defamation developed for the protection of reputation. A statement may be defamatory upon its face or the defamatory meaning may arise only as a result of extrinsic circumstances. Slander (oral defamation) does not generally give a basis for recovery unless there is a showing of pecuniary damage. Slander *per se* is actionable without proof of damage because it is the type of defamation which is of such a nature that injury to reputation is presumed and the jury is authorized to estimate the amount of that injury. See Prosser, *The Law of Torts,* §§ 112-113 (4th Ed. 1971). A slander which ascribes to another conduct, characteristics, or conditions incompatible with the proper conduct of his lawful business, trade or profession, is slander *per se. Restatement of the Law of Torts,* § 573 (1938).

Libel (written defamation) is actionable without any showing of special damages if the published statement is defamatory on its face. Libel *per quod* is that libel which becomes defamatory as a result of innuendo from other

facts. The rules for slander apply to libel *per quod* and therefore, written defamatory publication is actionable without pecuniary injury if there is an imputation of conduct incompatible with the proper exercise of a lawful business. *Wegner* v. *Rodeo Cowboys Association,* 290 F. Supp. 369 (D. Colo. 1968).

The law of defamation was extended to the protection of property several centuries ago through adoption of the doctrine of slander of title. Initially recovery was limited to falsehoods injurious to the ownership of land. More recently, recovery was recognized for injury to personal property and to any interference with the plaintiff's business resulting in some form of customer diversion. The word "disparagement" has been used to describe these various kinds of interference with commercial or economic relations through injurious falsehood. Prosser, *supra,* § 128.

The protection of business goodwill from the effect of false advertising was recognized by the Tenth Circuit Court of Appeals in *Paramount Pictures* v. *Leader Press,* 106 F.2d 229 (10th Cir. 1939). There, Judge Bratton said at pages 231-2:

> . . . one without privilege so to do, has no right to issue and publish an untrue or deceptive statement of fact which has a disparaging effect upon the quality of another's property, under circumstances which would lead a reasonable person to foresee that it will have such effect. The making of such a statement in such circumstances is tortious. Cf. Restatement of the Law of Torts, § 626. And if the statement is understood as one of disparagement and the understanding is a reasonable construction of the language used, it is immaterial that the person making it did not intend

> it to be understood in that manner. Restatement, supra § 629 . . . .

The facts of this case fit within these traditional principles. Some of Goodyear's advertising expressly said that BIGFOOT tires were available only from Goodyear. All of it had the effect of creating that impression. Big O was selling and offering for sale tires called BIG FOOT. That extrinsic fact made Goodyear's advertising false. The additional extrinsic facts of the difference in the methods of advertising used by the two companies and the difference in their size, created the innuendo of an improper and unauthorized use of BIG FOOT by Big O. Big O had the exclusive right to the use of BIG FOOT as a trademark for tires. The result of the reasonable implication from Goodyear's advertising was the disparagement of Big O's trademark.

There is direct precedent for an award of damages resulting from false advertising based upon the time and effort spent by the plaintiff in counteracting the effects of the defamation. *Maytag Co.* v. *Meadows Mfg. Co.*, 45 F.2d 299 (7th Cir. 1930). There, the court said at page 302:

> The evidence on the hearing under the reference included, in addition, testimony of appellee's sales representatives, showing the extent to which said propaganda had spread and the amount of time and effort spent by these representatives in attempting to counteract the effect of same. The master awarded $500,000. Appellee did not, and obviously could not, measure its damages by proof of loss of specific sales or general loss of business. Such evidence would necessarily be entirely speculative in character, so far

as accurate measurement thereof is concerned. But the failure to show any general loss in business does not necessarily negative actual damage. Again, whether the development of the company, its natural growth, and conditions generally are such as to produce belief that the company would otherwise have grown much more rapidly, is manifestly speculative and argumentative. The master was necessarily confined to a consideration of the libelous propaganda that had been spread, the number of representatives of the appellant actually promoting its sales and the circulation of the unfair statements, evidence of the widespread character of the latter and of the time and effort spent in counteracting same, and all of the circumstances concerning the difficulties which the circulation produced.

Such a recovery of the expenses of a party injured by defamation in publishing newspaper denials was also authorized in *Den Norske Amer. Actiesselskabet* v. *Sun Print. and Pub. Ass'n.*, 122 N.E. 463 (1919). The Tenth Circuit has recognized a similar measure of damages in *Ira M. Petersime and Sons* v. *Robbins*, 81 F.2d 295 (10th Cir. 1936). More significantly, in that case the court recognized that expenses of counteracting a business disparagement qualified as special damages. Thus this circuit has impliedly stated that in a disparagement case special damages include any measurable adverse economic effects and that is consistent with what the jury was told in Instruction 17.

The only difference between those three precedents and this case is that Big O did not spend $2,800,000. in ad-

vertising to counteract the implication from the Goodyear advertising. It is clear from the record that Big O did not have the economic resources to conduct such a campaign. Upon competent evidence before it, the jury found that this was an amount reasonably necessary to recover Big O's position in the trademark BIG FOOT before September 16, 1974. Should the law apply differently to those who have the economic power to help themselves compared with those who seek redress through the court? In my view, the answer most assuredly must be no and the evidence establishes that Big O did suffer measurable adverse economic effects from Goodyear's conduct. This meets any requirement of special damages.

In this regard, it should be observed that the definition of special damages given in Instruction 21 was limited to direct economic losses and out of pocket expenses. The purpose of that instruction was to obtain a determination of that question as a finding of fact. The law does not so limit damages in defamation cases.

Moreover, as a matter of policy there is no reason to require special damages in a business disparagement case. It is a carryover from the slander of title origins of this tort. Because this was a defamation of Big O in its trade or business by the implication that it was stealing from Goodyear, there would be no need to show special damages to recover under traditional tort concepts. On the facts of this case, the wrong done to Big O is properly characterized as a defamation of the reputation of the corporation. If special damages must be shown for disparagement of property such a requirement should not apply to cases where, as here, the injury is the equivalent of common law character defamation.

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The defendant claims that there was no evidence of malice to support the claim of trademark disparagement. The jury was instructed that malice was an essential element of that claim. The definition of malice given in Instruction 19 was acting with intent to vex, injure or annoy. Whether Goodyear's conduct met that standard was a question of fact within the province of the jury. Because the evidence which has been reviewed in the detailed findings of fact herein would support the inference of such an intent, the verdict may not be disturbed.

The defendant insists that there can be no award of damages for trademark infringement without a showing that Goodyear intended to trade on the goodwill of Big O or to palm off Goodyear products as being those of Big O. Goodyear also argues that reverse confusion is not actionable.

These contentions ignore the history of the development of the law of trademarks and unfair competition. The early aim of this law was the prevention of fraud through palming off one's goods as being those of another. Vandenburg, *Trademark Law and Procedure,* 2nd edition, § 5.20 p. 136 (1968). It is now recognized that such deception is only one type of unfair competition and that there may be liability for other kinds of abuse of a trademark. McCarthy, *Trademarks and Unfair Competition,* Vol. 1 § 5:2, p. 114 (1973).

The instructions given in this case recognized that passing off is but a part of the general law of unfair competition. The jury was asked to decide separately the theories of liability. The false designation of origin instruction (No. 14) presented the issue of passing off. It was rejected. The trademark infringement instruction asked the jury whether Goodyear had been guilty of another form

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of unfair competition in its use of BIGFOOT as a trademark for tires.

Goodyear's argument that the law of unfair competition does not protect against reverse confusion would return us to the 19th century view that only passing off is actionable. The logical consequence of accepting Goodyear's position would be the immunization from unfair competition liability of a company with a well established trade name and with the economic power to advertise extensively for a product name taken from a competitor. If the law is to limit recovery to passing off, anyone with adequate size and resources can adopt any trademark and develop a new meaning for that trademark as identification of the second user's products. The activities of Goodyear in this case are unquestionably unfair competition through an improper use of a trademark and that must be actionable. *cf. W. E. Bassett Co.* v. *Revlon, Inc.,* 435 F.2d 656 (2nd Cir. 1970).

To the extent the Seventh Circuit's decision in *Westward Coach Mfg. Co., Inc.* v. *Ford Motor Co.,* 388 F.2d 627 (7th Cir. 1968) is inconsistent with my analysis, I must respectfully disagree with it. The facts of the Big O case demonstrate the flaws in the adoption of a simplistic rule that reverse confusion is not actionable.

Unfair competition has often been described as competitive activity contrary to contemporary society's concepts of fair play. Fairness must be considered in the context of the public policies which the law of unfair competition seeks to advance and support. Instruction 1 identified those policies as ". . . the need to protect the public from being misled as to the nature and source of the products they buy," ". . . a need to protect the property rights of a business to identify itself and its products to the public,"

and ". . . a need to try to achieve these goals without injury to the competition among products and businesses which is the vital element of a free economic system." The jury was also advised that because these policies conflict, "cases of this type are to be decided largely on their specific facts . . . ."

The defendant argues that protection of the public from confusion and protection of the right of a business to identify itself as a source of the products it markets would not be affected where there was no intent to deceive. That argument is best answered by the comments of Justice Holmes in his concurring opinion in *International News Service* v. *Associated Press,* 248 U.S. 215 (1918). In that case the unfair competition was the defendant's appropriation and transmission of the plaintiff's news information as a commercial product to its clients. Justice Holmes observed:

> The ordinary case . . . is palming off the defendant's product as the plaintiff's, but the same evil may follow from the opposite falsehood—from saying, whether in words or by implication that the plaintiff's product is the defendant's, and that, it seems to me is what has happened here . . . . The falsehood is a little more subtle, the injury a little more indirect, than in ordinary cases of unfair trade, but I think that the principle which condemns the one condemns the other. 248 U.S. 215, 246-247.

Goodyear's assertion that injunctive relief is the only available remedy in the absence of palming off or an intent to deceive must also be rejected. Where there is an intent to deceive, the importance of awarding damages to deter such conduct is obvious. Such deterrence is equally

important in this case. If the only protection available to Big O were to be an injunction against future use, the degree of protection would be in direct proportion to the complexity of the case and the condition of the court's calendar. One in the position of Goodyear might very well obtain all of the benefit it wanted from an infringing use of a trademark before the case could be heard. Moreover, a limitation of relief to an equitable remedy would deprive the plaintiff of a right to a trial by jury, and the judgment of contemporary standards of fair competition can best be made by a jury.

Goodyear also contends that the punitive damages are excessive. When he was a judge of this court, Judge Doyle made a comprehensive and cogent analysis of the Colorado law of exemplary damages in *Wegner* v. *Rodeo Cowboys Association,* 290 F. Supp. 369 (D. Colo. 1968). That was an action for defamation affecting the plaintiff's trade or business in which the jury returned a verdict of $5,000. actual damages and $20,000. exemplary damages. Judge Doyle concluded that Colorado had no fixed ratio between actual and exemplary damages and that the question to be considered is whether there is such a disproportion as to warrant an inference that the jury verdict resulted from passion or prejudice.

This decision was affirmed in *Wegner* v. *Rodeo Cowboys Association,* 417 F.2d 881 (10th Cir. 1969). On the issue of exemplary damages, Judge Seth said at page 884:

> . . . The exemplary and actual damage relationship in defamation cases is not comparable to that present in most tort cases as the trial court pointed out. The actual damages in libel actions are so dependent upon factors peculiar to the plaintiff's situation in the community, and are thus unlike physical damages although

> they are presumably compensatory also. This aspect of the damages evaluation together with the malice and the punitive aspects of exemplary damages which often are more obvious in defamation cases thus lead to a somewhat different consideration of the exemplary-compensatory ratio in such cases . . .

As in *Wegner, supra,* the Goodyear behavior was not impulsive, and here, as there, I can see no reason to scrutinize the proportions. A review of the cases cited by Judge Doyle reveals many ratios in defamation cases greatly in excess of the proportions in this verdict.

The entire purpose of punitive damages is punishment for wrongful conduct and the amount awarded should be adequate to call the defendant's attention to that wrongful conduct. The amount of $16,800,000. is not a disproportionate burden to the world's largest tire company, a company which could afford to spend $10,000,000. in one year promoting a single model of tire.

The contentions made in the motion for new trial with respect to evidence of offers to compromise were presented at the time of the introduction of that evidence during the course of the trial. The questioned evidence has been set out in the findings of fact. The ruling was that these communications between Big O and Goodyear representatives before this civil action began were not offers to compromise a dispute; they were simply business communications and they were relevant and material to show knowledge, willful infringement and misconduct by Goodyear. I adhere to that ruling.

The motion for a new trial also renews an objection to the admission of evidence of the amount of advertising expenditures made by the defendant. Such evidence was

properly received as relevant and material to a number of issues, including the magnitude of the effort made by the defendant to adopt, use and absord the plaintiff's trademark.

Upon the foregoing, it is

ORDERED that the defendant's motion for a new trial and motion for judgment notwithstanding the verdict are denied.

PLAINTIFF'S MOTION TO FILE A SECOND AMENDED COMPLAINT

After the jury returned the verdict, Big O filed a motion under F.R.C.P. 15 for leave to file a second amended compalint, tendering an amended complaint with that motion. This new pleading is not necessary. The theory of liability based on trademark disparagement was not explicitly set out in the original complaint or in the amended complaint filed in December, 1974. It was, however, clearly within the subject matter of those pleadings and the defendant was not disadvantaged in any way by the pleadings. The characterization of conduct in terms of legal theory does not require amendment of the pleadings. At any rate, under Rule 15(b) the failure to amend does not affect the result of the trial of the issues. It is, therefore,

ORDERED, that the plaintiff's motion to file a second amended complaint is denied.

PLAINTIFF'S MOTION TO AWARD ATTORNEYS' FEES

The plaintiff has moved for an award of attorneys' fees as a part of the recovery and, alternatively, for a partial award of attorneys' fees as a sanction under Rule 37. The jury rejected the plaintiff's claim for false designation of

origin under the Lanham Act. Accordingly, there is no statutory basis for the allowance of attorneys' fees in this case. It is clear that in cases within the federal question jurisdiction of federal courts, the American Rule prevails and there can be no allowance of attorneys' fees in the absence of statute or agreement. *Alyeska Pipeline Service Co.* v. *Wilderness Society,* 421 U.S. 240 (1975). Neither is there any basis for such a recovery under Colorado law. *Beebe* v. *Pierce,* 521 P.2d 1263 (1974). While the *Alyeska* opinion notes that certain equitable considerations may create modifications of this rule, the facts of this case do not come within those recognized exceptions.

The claim for a sanction under Rule 37 is not well founded. While I have made findings and conclusions that the affirmative defense of extension was not proven at the trial, I cannot agree that the defendant's counsel acted improperly in asserting it as a defense or in the use of alternative and inconsistent theories of defense. Accordingly, it is

ORDERED, that the plaintiff's motion for an award of attorneys' fees is denied.

PLAINTIFF'S MOTION FOR INTEREST

The plaintiff has made various claims for interest as additional damages from the date of infringement and on the amount of the jury verdict from the date of its return. Under 28 U.S.C. § 1961, the question of interest is governed by state law. The applicable statute is 1973 C.R.S. § 5-12-102, as amended by House Bill No. 1087. That legislation provides for interest at the rate of 8% per annum on any judgment from the date of entry of judgment. In this case a judgment was entered for $19,600,000. on

October 4, 1975. Interest is running on that judgment at a rate of 8% per annum from October 6, 1975. It is, therefore,

ORDERED, that the plaintiff's motion for an allowance of interest is denied.

DEFENDANT'S COUNTERCLAIM

In its answer filed on December 13, 1974, Goodyear made a counterclaim for injunctive relief against the plaintiff. The answer and counterclaim were amended as a result of a hearing on June 6, 1975. Because the counterclaim sought only injunctive relief, it was not presented to the jury for decision.

In its pleadings, Goodyear took the position that it had an exclusive right to the use of BIGFOOT as a trademark for automobile tires as the result of an expansion from Goodyear's use of that name on snowmobile track as a related product. The jury verdict destroyed that position. In a post verdict motion, Goodyear now seeks to enjoin Big O from any use of BIG FOOT as a trademark for automobile tires in all states other than the 14 states in which Big O BIG FOOT tires were sold or offered for sale to the consuming public before September 16, 1974. That position is based upon the contention that Goodyear is the first user in these other states.

It has long been the law that the prior appropriation of a trademark in one geographical market does not entitle the first user to prevent a second user from using the same trademark in a separate and geographically remote area if the second user selected its mark in good faith. *Hanover Star Milling Co.* v. *Metcalf,* 240 U.S. 403 (1916); *United Drug Co.* v. *Theodore Rectanus Co.,* 248 U.S. 90 (1918).

A recent application for this doctrine in this circuit is *Value House* v. *Phillips Mercantile Co.*, 523 F.2d 424 (10th Cir. 1975).

Clearly a second user is not in good faith if he selected the mark with an intent to misappropriate and benefit from the prior user's goodwill or to prevent the extension of his trade. It is also true that mere knowledge of the existence of the first user in his trademark does not destroy good faith. McCarthy, *Trademarks and Unfair Competition*, Vol. 2, § 26:3 (1973).

The defendant contends that it acted in good faith. When the Goodyear officials made the decision to prepare the BIGFOOT multi-media nationwide advertising campaign on July 10, 1974, they were not aware of the Big O BIG FOOT tires. They did become aware on August 24, 1974. Goodyear made its first actual use of BIGFOOT as a trademark for tires on September 16, 1974. At that time the Goodyear officials had complete information about Big O's use of BIG FOOT and they made a calculated and deliberate decision to go forward with the Goodyear use without regard for the consequences to Big O. That is not good faith. Under the circumstances of this case, I am unable to accept the argument that there is good faith if there is no intent to obtain a free ride on the plaintiff's goodwill.

I also believe that the facts of this case do not fit within the principles of the cases which recognize separate geographical markets. Before September 16, 1974, the Big O BIG FOOT tires were sold or offered for sale in Big O dealers' stores in the states of Oregon, Washington, California, Idaho, Utah, Nevada, Arizona, Colorado, New Mexico, Kentucky, North Carolina and South Carolina. After September 16 and during the time of concurrent use, new dealers in Illinois, Michigan and Virginia handled the

Big O BIG FOOT tires. While most of the Big O dealers were on the West Coast and in the Rocky Mountain Area states, the existence of stores in the Carolinas and Kentucky together with the expansion into Illinois, Michigan and Virginia reflect that the Big O organization is not merely regional in character and that the plaintiff is engaging in continuing efforts to extend its geographical market.

Moreover, it must be recognized that the advertising and marketing of automobile tires in 1974 are activities which are much different in character from the sale of flour in 1903, forming the basis for the *Hanover* case, *supra*, and the sale of drugs in 1912, forming the basis for the *Rectanus* decision, *supra*. One obvious difference is that automobile tires are placed on automobiles which move throughout the United States. Another difference is that automotive tire dealers belong to trade organizations which have national conventions and distribute trade and product information throughout the country.

The most fundamental difference, of course, is multi-media advertising on a national scale. As I previously observed, Goodyear attracted the attention of a huge national audience and obtained both recognition and identification of its radial tire with the term BIGFOOT in a few hours on the evening of September 16, 1974. The advertising in national magazines and in newspapers throughout the country appeared immediately after that telecast. The saturation was persistent, consistent and complete. Goodyear made no effort to avoid sending its message into the area already occupied by Big O's product. Big O was simply overrun and overwhelmed. That can hardly be considered to give Goodyear an exclusive right to this trademark anywhere.

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The defendant argues that while it admittedly did have prior knowledge of Big O's BIG FOOT tires, Goodyear had a reasonable and good faith belief that Big O did not have an exclusive trademark. I cannot accept the view that doubt about the legal position of a prior user can be a standard for good faith. Even if that were the law, the only factual basis for a reasonable doubt about Big O's BIG FOOT is the prior use of BIGFOOT by Goodyear on snowmobile tracks. That was a slender reed. In my view, there was no reasonable belief that Goodyear would not be infringing Big O's trademark in the 14 states having Big O dealers on or before September 16, 1974.

Upon the foregoing it is concluded that the Goodyear counterclaim should be dismissed and judgment entered for the plaintiff on the counterclaim. It is, therefore,

ORDERED, that the counterclaim of Goodyear is dismissed and judgment be entered for the plaintiff on that counterclaim.

PLAINTIFF'S MOTION FOR INJUNCTIVE RELIEF

On September 4, 1975, after the jury verdict was received, this court entered an order enjoining Goodyear from any use of BIGFOOT (BIG FOOT) in any television advertising of automobile tires as of 1:00 P.M., Mountain Daylight Time, on Monday, September 8, 1975. The plaintiff has now requested that Goodyear be enjoined from any use of BIGFOOT (BIG FOOT) on or in connection with vehicle tires throughout the United States. The issue presented by that motion is identical with the question raised by the defendant's counterclaim. Does Goodyear as a second user have the right of a first user in the states in which there were no Big O tire dealers before September 16, 1974? For the reasons discussed in the dismissal of the

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defendant's counterclaim, Goodyear has no such right and the plaintiff is entitled to a full injunction for the protection of its exclusive right to the use of BIG FOOT as a trademark for automobile tires throughout the United States.

* * *

Dated at Denver, Colorado, this 13th day of February, 1976.

BY THE COURT:

RICHARD P. MATSCH
Richard P. Matsch, Judge
United States District Judge

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APPENDIX I

* * *

Three Theories of Liability

No. 2

There are three different forms of unfair competition which must be considered by the jury in this case. For our purposes here, they can be called trademark infringement, false designation of origin and trademark disparagement. These are three theories of liability and I will instruct you as to each of them as well as the affirmative defenses to them.

If you find liability under one or more of these doctrines, then you will consider the question of damages and these instructions will include what can be considered as damages under these three theories of liability.

Trademark

No. 3

The term "trademark" includes any word, name, symbol or device, or any combination thereof, adopted and used by a manufacturer or merchant to identify his goods and to distinguish them from those manufactured or sold by others.

The function of a trademark is to designate goods as a product of a particular manufacturer or merchant and to protect his goodwill against the sale of another's product as his.

A trademark is also a merchandising shortcut which induces a prospective purchaser to select what he wants or what he has been led to believe he wants. There is, therefore, a public interest in avoiding confusion in the use of trademarks.

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One product can bear more than one protectable trademark.

* * *

Words

No. 5

In trademark usage, words can be classified according to the degree of their distinctiveness. A *coined* word is an artificial word which has no language meaning except as a trademark.

EXXON is a coined word used by an oil company.

A *fanciful* word is like a coined word in that it is invented for the sole purpose of functioning as a trademark and it differs from the coined word only in that it may bear a relationship to another word or it may be an obsolete word.

FAB is a shortened version for fabulous and is a fanciful word used for detergent.

An *arbitrary* word is one which is in common linguistic use but when used with the goods in issue it neither suggests nor describes any ingredient, quality or characteristic of those goods.

OLD CROW for whiskey is an example of an arbitrary word.

A *suggestive* word is one which suggests what the product is without actually being descriptive of it.

STRONGHOLD for threaded nails is suggestive of their superior holding power.

A merely *descriptive* word is one which draws attention to the ingredients, quality or nature of the product.

TENDER VITTLES as applied to cat food is descriptive.

A *generic* word is one which is the language name for the product.

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BUTTER is the language word for butter. There can be no trademark rights in a generic term. They remain in the public domain as a part of our language.

The right to protection of a trademark comes from its use to identify the product.

We speak of strong and weak marks in terms of the amount of use necessary to create protected rights. Words which are coined, fanciful or arbitrary are distinctive almost from their first use. Suggestive words are also protected as trademarks when used distinctively for particular products.

Words which are merely descriptive do not obtain protection solely from their use as a trademark. Such words must first acquire distinctiveness from the effect of the owner's efforts in the marketplace. This is what is called the development of secondary meaning; that is a merely descriptive term used as a trademark must have been so used that its primary significance in the minds of the consuming public is not the product itself but the identification of it with a single source.

• • •

AFFIRMATIVE DEFENSE
DESCRIPTIVE—SECONDARY MEANING

No. 7

In this case, Big O Tire Dealers, Inc. claims that by September 16, 1974, it had established the term BIG FOOT as a trademark for two types of automobile tires sold by it: the Big O BIG FOOT 60 and the Big O BIG FOOT 70 tires.

To this claim the defendant Goodyear has raised the affirmative defense that the term BIG FOOT is merely descriptive of a quality or characteristic of these Big O tires and it is not distinctive.

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This is the first question for the jury to answer. Is the term BIG FOOT merely descriptive of a quality or characteristic of the Big O BIG FOOT 60 and Big O BIG FOOT 70 tires?

If your Answer to that question is no; then you will consider whether the evidence shows that Big O Tire Dealers, Inc. used BIG FOOT as a trademark for these particular products before September 16, 1974; that is, whether the plaintiff used BIG FOOT to identify Big O Tire Dealers, Inc. to the consuming public as the source of these two tires.

On the other hand, if you decide that BIG FOOT is merely descriptive as applied to these Big O tires, then you will consider whether the evidence shows that before September 16, 1974, the plaintiff had so used BIG FOOT as to develop a secondary meaning such as to associate that term with Big O Tire Dealers, Inc. in the minds of a significant number of the consuming public.

A word or phrase which is merely descriptive can still become a trademark if such a secondary meaning has been developed for it by usage in the marketplace. It is not necessary for the plaintiff to prove that all or even a majority of the consuming public understand this secondary meaning. What must be shown by the evidence is that a significant number of the consuming public must have associated BIG FOOT with the plaintiff before September 16, 1974. It is for the jury to decide how many constitute a significant number.

TRADEMARK INFRINGEMENT

No. 8

If you decide that the plaintiff had established BIG FOOT as a trademark for its tires by September 16, 1974,

then you must consider whether the defendant infringed that trademark by its use of BIGFOOT in connection with its advertising and sale of the Goodyear custom polysteel radial tire, beginning on September 16, 1974.

A trademark is infringed when a second person (later user) uses it in a manner which is likely to cause confusion among ordinarily prudent purchasers or prospective purchasers as to the source of the products. The test is not one of actual confusion; it is the likelihood of confusion.

ELEMENTS OF INFRINGEMENT

No. 9

To find liability for trademark infringement, the jury must find from a preponderance of the evidence that:

1. Big O Tire Dealers Inc. had established BIG FOOT as a trademark for its tires before September 16, 1974; and

2. That Goodyear in its advertising and sales program beginning with a nationwide telecast on September 16, 1974, used BIGFOOT in a manner likely to cause confusion among persons using ordinary care and prudence in the purchase of tires.

CONCURRENT USE

No. 10

It is legally possible to have two companies using the same term for competing products, concurrently, without any liability to each other.

In this case, if you should find that BIG FOOT is merely descriptive as applied to these automobile tires and that

Big O Tire Dealers, Inc. had not established a secondary meaning to make that word distinctive for its tires before Goodyear began using BIGFOOT in connection with Goodyear tires, then both Big O Tire Dealers, Inc. and Goodyear have the right to its use for their respective tires and there is no trademark infringement.

If there is a concurrent right to the use of BIG FOOT by both parties, then the fact that the defendant's greater economic power makes it possible for Goodyear to make a much more effective use of BIGFOOT than that which can be accomplished by the plaintiff does not create any liability to the plaintiff. Stated a different way, the difference in strength between competitors in the marketplace is not, in itself, unfair competition under the law.

EXTENSION

No. 11

The defendant has raised an additional affirmative defense to this claim of trademark infringement under what is called the doctrine of extension or expansion to related products. Under that doctrine the owner of a well established and distinctive trademark for one product may extend that trademark to a use on a different but related product if the use of that mark by someone else on the related product would be likely to cause confusion. A merchant or manufacturer who claims the right of expansion must also show a purpose of propensity to extend its use of the mark to the related product before its use by others on such products.

In this case, Goodyear has introduced evidence of its use of the term BIGFOOT on replacement track for snow-

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mobiles before the plaintiff's use in connection with automobile tires.

To determine whether Goodyear has proven this affirmative defense of a right of expansion you must answer two questions:

First, did Goodyear have a valid trademark for snowmobile track belts?

Second, at the time Big O Tire Dealers, Inc. first used BIG FOOT on automobile tires, would an ordinary consumer expect that the source of a BIG FOOT automobile tire would be the same as the source of a BIGFOOT snowmobile track belt?

In answering the second question, you should consider:

1. The strength of the trademark in terms of its distinctiveness.
2. Whether automobile tires and snowmobile track belts are sold through the same channels of trade distribution.
3. Whether automobile tires and snowmobile track belts are advertised, promoted and marketed in the same manner.
4. Whether automobile tires and tracks for snowmobiles are sufficiently related that a company which makes and sells one would be likely to make and sell the other.

Any other factor which your common experience tells you is relevant to determine that there would or would not be a likelihood of confusion of the source of these products.

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TOKEN USE

No. 11(a)

To find that Goodyear had a valid trademark for snowmobile track belt you must find that their use of BIGFOOT for track belt was not a token use. Token use is sporadic, casual, or transitory use not part of an ongoing program to commercially exploit the trademark. The number of sales is not conclusive, but there must be a bona fide attempt to establish a trade or a market in the trademarked product.

ABANDONMENT

No. 12

To find that Goodyear had the right of expansion from its use of BIGFOOT on snowmobile track to a trademark use of BIGFOOT for automobile tires, you must consider abandonment. The owner of a trademark may be considered to have abandoned his right to exclusive use of that trademark if he discontinues its use with an intent not to resume it.

REGISTRATION

No. 13

During the course of this trial there have been several witnesses who have mentioned applications for registration of trademarks with the United States Patent Office. There is in evidence exhibit 2437 which is a document showing that BIGFOOT was registered as a Goodyear trademark for snowmobile track on October 15, 1974.

The legal effect of such registration is to create a presumption that the company owning the registration estab-

lished a valid trademark for a product at the time of its first use with the product and that it has been and is in continuous use with that product. The date of first use of BIGFOOT by Goodyear for snowmobile track is shown on exhibit 2437 as October 22, 1973 and Goodyear filed the application for that registration on December 12, 1973.

So, from this exhibit, it is presumed that Goodyear established BIGFOOT as a trademark for snowmobile track on October 22, 1973 and that it has continuously used this trademark for snowmobile track since that time and has the exclusive right to do so.

This presumption can be rebutted by the evidence to the contrary and the jury is free to find that a registered trademark is not a valid trademark. Thus, from the evidence presented to you at this trial, you could find that Goodyear did not have a valid trademark for BIGFOOT for snowmobile track before Big O Tire Dealers, Inc. used BIG FOOT for tires.

You will remember from the previous instructions that the date when a valid trademark is established depends on the strength of the mark in terms of distinctiveness. For example, if you determine that BIGFOOT is descriptive of the qualities or characteristics of snowmobile belt track you must also determine if that mark ever acquired a secondary meaning in the mind of the consuming public. If BIGFOOT for snowmobile belt track is merely descriptive and it did not acquire a secondary meaning, then Goodyear could not have a valid trademark for BIGFOOT for snowmobile belt track. If BIGFOOT [is] descriptive but has acquired a secondary meaning, then the date that it became a protected trademark would be the date that such secondary meaning attached, regardless of the date of first use or the date of registration.

If BIGFOOT is not merely descriptive of qualities or characteristics of snowmobile track belt but a suggestive word for snowmobile track belt, then it became a protected trademark from the time BIGFOOT was first used distinctively in connection with snowmobile track belt to signify the origin of the product even though it was not registered until a later time. If BIGFOOT is a coined, fanciful or arbitrary word, then it became a protected trademark almost from the time BIGFOOT was first used in connection with snowmobile track belt to signify the origin of the product even though it was not registered until a later time.

I will tell you now that there have been proceedings in the Patent Office involving BIG FOOT (BIGFOOT) for tires. Because I think it would confuse and complicate this trial and because there have been no final decisions in the Patent Office I have excluded from evidence all information about the patent office proceedings.

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DISPARAGEMENT

No. 16

The third theory of liability to be considered in this case is called trademark disparagement.

This is a doctrine which is somewhat like injury to a person's reputation through defamation. It is a civil wrong to publish false statements about a company's property rights if the result is economic injury. In this case the property right involved is ownership of BIG FOOT as a trademark for automobile tires.

If you find that on September 16, 1974, Big O Tire Dealers, Inc. had established BIG FOOT as a trademark for its exclusive use on automobile tires, then you must con-

sider whether Goodyear disparages that trademark by its actions.

If the plaintiff did not have an established trademark then there could be no disparagement of it.

ELEMENTS OF DISPARAGEMENT

No. 17

To establish a claim for trademark disparagement, the plaintiff must show by the preponderance of the evidence:

1. That the defendant published some false statement or statements to the plaintiff's customers or potential customers which could reasonably be understood to cast doubt or confusion about the validity of plaintiff's trademark.
2. That the defendant acted with malice.
3. That such false statements had an adverse economic effect upon the plaintiff's business.

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DAMAGES—TYPES

No. 21

I am turning now to the question of damages and what can be considered in determining an award of money in this case. By including damages in these instructions, I do not wish to be understood to be suggesting or implying anything with respect to the issue of liability or as to whether or not any damages have been proven in this case.

There are three kinds of damages which can be considered in a civil case. These are special compensatory damages, general compensatory damages, and punitive damages.

Special compensatory damages are direct economic losses and out of pocket expenses resulting from the effect of the defendant's conduct on the plaintiff.

General compensatory damages are measured by the amount necessary to make the plaintiff whole. What is the amount of money required to right any wrong done to the plaintiff by the defendant?

Difficulty or uncertainty in ascertaining or measuring the precise amount of any damages does not preclude recovery, and the jury should use its best judgment in determining the amount of such damages, if any, based upon the evidence.

In determining general compensatory damages, you may consider whether the plaintiff, Big O Tire Dealers, Inc., suffered any measurable loss to its goodwill.

The goodwill of a company is an intangible business value which reflects the basic human tendency to do business with a merchant who offers products of the type and quality which the customer desires and expects. Service to the customer and a willingness to stand behind a warranty and other representations about the quality of the products which are sold by a merchant are all factors in the goodwill of that business.

The goodwill attached to a particular product or a business may be symbolized in whole or in part by the consuming public's acceptance and recognition of a trademark. The goodwill attached to a product is a part of the overall business value which is the goodwill of the company. It is possible, therefore, that the general goodwill of a corporation may be damaged by the loss of goodwill to a particular product. Whether this has occurred is a question of fact for you to determine.

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If you find that the plaintiff's goodwill has been damaged either by injury to the goodwill associated with a particular product or injury to its general business reputation, you may assess such compensatory damages as you may find shown by the evidence. The measure of the plaintiff's damage is the difference between the value of such goodwill before and after the acts of the defendant.

The plaintiff has not sought to prove damage to its goodwill by showing lost sales, past or future, because of the acts of the defendant. Instead, plaintiff claims that it will be required to conduct an informational advertising campaign to repair the damage which it claims to have suffered; that is, to place Big O Tire Dealers, Inc. in whatever position with respect to the word BIG FOOT for tires that it may have enjoyed prior to September 16, 1974.

You are instructed, therefore, not to measure any damages by attempting to determine any lost past or future sales of the Big O BIG FOOT 60 and Big O BIG FOOT 70 automobile tires. You are further instructed that any amount awarded as compensatory damages for any injury to the goodwill of the plaintiff must not exceed the amount of injury shown to have been caused to the plaintiff's goodwill by the evidence before you in this case. A jury may not determine damages by speculation or conjecture.

If you find that the plaintiff is entitled to a verdict in accordance with these instructions, but you do not find that the evidence before you is sufficient to show that the plaintiff has sustained any substantial actual damages, then you may return a verdict for the plaintiff on one or more of the theories of liability and fix the amount of the compensatory damages in a nominal sum such as $1.00. Such a verdict would determine the rights of the parties and the Court can then issue orders directing their future conduct.

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The third type of damages is punitive damages. The award of a nominal sum for compensatory damages would not prevent your awarding punitive damages if you find that the award of punitive damages is justified under these instructions.

The purpose of awarding punitive or exemplary damages is to punish a wrongdoer for some extraordinary conduct and to serve as an example or warning to others not to engage in such conduct.

If you find in favor of the plaintiff on one or more of the theories of liability, then you should consider whether the plaintiff is entitled to exemplary damages. If you also find beyond a reasonable doubt that the injury complained of was attended by circumstances of fraud, malice, or a wanton and reckless disregard of the rights and feelings of the plaintiff, then, in addition to any actual damages, you may also award the plaintiff a reasonable sum as exemplary damages.

Reasonable doubt means a doubt based upon reason and common sense which arises from a fair and rational consideration of all the evidence or the lack of evidence in the case. It is a doubt which is not a vague, speculative or imaginary doubt, but such a doubt as would cause reasonable persons to hesitate to act in matters of importance to themselves.

Exemplary damages are not to be construed as compensation to the plaintiff for wrong done, but as punishment to the defendant and as an example to others.

Whether or not to make any award of punitive or exemplary damages, in addition to actual damages, is a matter exclusively within the province of the jury. The jury should bear in mind, not only the conditions under which, and the purposes for which, the law permits an award of

punitive or exemplary damages to be made, but also the requirement of the law that the amount of such extraordinary damages, when awarded, must be fixed with calm discretion and sound reason, and must never either be awarded, or fixed in amount, because of any sympathy, or bias, or prejudice with respect to any party in this case.

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Appendix D

IN THE

UNITED STATES DISTRICT COURT

FOR THE DISTRICT OF COLORADO

Civil Action No. 74-M-1106

BIG O TIRE DEALERS, INC.,

Plaintiff,

v.

THE GOODYEAR TIRE AND RUBBER COMPANY,

Defendant.

VERDICT

We the jury in the above entitled cause, upon our oath do say that we find the following as our verdict herein:

Upon the claim of liability for trademark infringement we find for Big O Inc.

Upon the claim of liability for false designation of origin we find for Goodyear.

Upon the claim for trademark disparagement we find for Big O Inc.

We find that plaintiff has proven special compensatory damages in the amount of $ None.

We find that plaintiff has proven general compensatory damages in the amount of $2,800,000.

We assess punitive or exemplary damages in the amount of $16,800,000.

Dated: Sept. 4, 1975

s/ .....

Foreman

Appendix E

Rule 408, Fed. R. Evid.

"Evidence of (1) furnishing or offering or promising to furnish, or (2) accepting or offering or promising to accept, a valuable consideration in compromising or attempting to compromise a claim which was disputed as to either validity or amount, is not admissible to prove liability for or invalidity of the claim or its amount. Evidence of conduct or statements made in compromise negotiations is likewise not admissible. This rule does not require the exclusion of any evidence otherwise discoverable merely because it is presented in the course of compromise negotiations. This rule also does not require exclusion when the evidence is offered for another purpose, such as proving bias or prejudice of a witness, negativing a contention of undue delay, or proving an effort to obstruct a criminal investigation or prosecution."

United States Constitution, Amendment V

No person shall be held to answer for a capital, or otherwise infamous crime, unless on a presentment or indictment of a Grand Jury, except in cases arising in the land or naval forces, or in the militia, when in actual service in time of war or public danger; nor shall any person be subject for the same offence to be twice put in jeopardy of life or limb; nor shall be compelled in any criminal case to be a witness against himself, nor be deprived of life, liberty, or property, without due process of law; nor shall private property be taken for public use, without just compensation.

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Trademark Act § 7(b), 15 U.S.C. § 1057(b)

"A certificate of registration of a mark upon the principal register provided by this chapter shall be prima facie evidence of the validity of the registration, registrant's ownership of the mark, and of registrant's exclusive right to use the mark in commerce in connection with the goods or services specified in the certificate, subject to any conditions and limitations stated therein."

Trademark Act § 33(a), 15 U.S.C. § 1115(a)

"Any registration issued under the Act of March 3, 1881, or the Act of February 20, 1905, or of a mark registered on the principal register provided by this chapter and owned by a party to an action shall be admissible in evidence and shall be prima facie evidence of registrant's exclusive right to use the registered mark in commerce on the goods or services specified in the registration subject to any conditions or limitations stated therein, but shall not preclude an opposing party from proving any legal or equitable defense or defect which might have been asserted if such mark had not been registered."

Trademark Act § 45, 15 U.S.C. § 1127

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"A mark shall be deemed to be 'abandoned'—

(a) When its use has been discontinued with intent not to resume. Intent not to resume may be inferred from circumstances. Nonuse for two consecutive years shall be prima facie abandonment.

(b) When any course of conduct of the registrant, including acts of omission as well as commission, causes the mark to lose its significance as an indication of origin."

Cal. Code of Evidence § 1152

"(a) Evidence that a person has, in compromise or from humanitarian motives, furnished or offered or promised to furnish money or any other thing, act, or service to another who has sustained or will sustain or claims that he has sustained or will sustain loss or damage, as well as any conduct or statements made in negotiation thereof, is inadmissible to prove his liability for the loss or damage or any part of it.

(b) This section does not affect the admissibility of evidence of:

(1) Partial satisfaction of an asserted claim or demand without questioning its validity when such evidence is offered to prove the validity of the claim; or

(2) A debtor's payment or promise to pay all or a part of his preexisting debt when such evidence is offered to prove the creation of a new duty on his part or a revival of his preexisting duty."